Agenda Report
NCRTD Board of Directors Meeting
Meeting Date: September 7, 2012

Agenda Item - C

Title: Review of Resolution 2011-15 providing for the continuation of Resolution 2010-09 to eliminate fares for all fixed routes and paratransit up to three fourths of a mile from fixed routes operated by the North Central Regional Transit District and direction by the Board.

Prepared By: Linda Trujillo, Service Development Manager

Summary: This resolution continued Resolution 2010-09 (a one year resolution) for two years. According to the minutes of the December 2, 2011 Board meeting Mr. Carl Boaz, NCRTD Board stenographer, asked for a date correction from December 31, 2013 to December 31, 2012. According to the minutes, there is no response or comment noted. The staff report and the resolution indicates that the free fare period was for a two year period. Staff is requesting that the Board verify that their understanding was that the free fare period would cover a two year period.

Background: Resolutions adopted for free fares are as follows:

Resolution Number	Date Adopted	Time Frame	Number of Months
#2008-04	May 9, 2008	June 2, 2008 through December 31, 2008	7 months
#2008-16	December 19, 2008	January 1, 2009 through June 30, 2009	6 months
#2009-06	May 1, 2009	July 1, 2009 through December 31, 2010	6 months
#2010-09	November 5, 2010	January 1, 2011 through December 31, 2011	12 months
#2011-15	December 2, 2011	January 1, 2012 through December 31, 2013	24 months

Recommended Action: It is recommended that the Board consider continuing free fares until December 31, 2013 per existing Resolution 2011-15.

Options/Alternatives: As an option the Board may consider establishing a fare policy, operating and capital costs, and direct staff to return with various options regarding fares and the timeline for public hearings to solicit public comment and the implementation of acquisition of capital investment and staffing.
FTA requires when a fare adjustment impacts the general public, several public hearings be held in all areas affected.

Fiscal Impact: No cost in continuing with the current resolution. In the event that the Board direct's staff to return with additional information, the costs implications will be determined at that time.

Attachments:

- Minutes from Board Meeting 12/2/2011
- Staff report for Resolution 2011-15
- Resolution No 2011-15

North Central Regional Transit District
Board Meeting
Friday, December 2, 2011

CALL TO ORDER:

A regular monthly meeting of the North Central Regional Transit District Board was called to order on the above date by Chair Rosemary Romero at 1:13 p.m. at the Buffalo Thunder Resort, Pojoaque, New Mexico.

1. **Pledge of Allegiance**

2. **Moment of Silence**

3. **Roll Call**

Roll call indicated the presence of a quorum as follows:

Members Present:	**Elected Members**	**Alternate Designees**
Los Alamos County	Councilor Michael Wismer	
Taos County	Commissioner Dan Barrone	Mr. Jacob Caldwell
Santa Fé County	Commissioner Robert Anaya	Commissioner Danny Mayfield
Rio Arriba County	Commissioner Barney Trujillo	
Ohkay Owingeh	Rob Lieb	
Pojoaque Pueblo	Mr. Tim Vigil	
San Ildefonso Pueblo	Councilman Raymond Martínez [T]	
Santa Clara Pueblo		Ms. Mary Lou Quintana
Tesuque Pueblo		

City of Santa Fé	Councilor Rosemary Romero	Mr. Jon Bulthuis
City of Española	Councilor Robert J. Seeds	
Members Absent:	**Elected Members**	**Alternate Designees**
Los Alamos County		Ms. Anne Laurent
Taos County		
Rio Arriba County		Mr. Tomás Campos
Santa Fé County		
Pojoaque Pueblo		Councilman Cameron Martínez
San Ildefonso Pueblo		Ms. Sandra Maes
Ohkay Owingeh	1st Lt. Gov. Virgil Cata	
Santa Clara Pueblo	Sheriff John Shije	
Tesuque Pueblo	Governor Charles Dorame	Mr. Sammy Romero
City of Santa Fé		
City of Española		Councilor Helen Kane-Salazar

Staff Members Present
Ms. Cynthia Halfar, Executive Assistant
Ms. Kelly Muniz, Financial Director
Mr. Tony Mortillaro, Executive Director
Mr. Jack Valencia, Transit Project Manager
Mr. Peter Dwyer, Counsel for NCRTD

Others Present
Mr. Greg White, NMDOT
Mr. Bob Sarr, Santa Fé
Governor Mirabal, Nambé Pueblo
Ms. Linda Woods, Nambé Pueblo
Mr. Mitch Davenport, Facilities Manager
Mr. Andrew Jandáček, Santa Fé County
Ms. Judith Amer, City of Santa Fé

4. Introductions

Those present introduced themselves.

5. Approval of Agenda

Commissioner Anaya moved to approve the agenda as presented. Commissioner Barrone seconded the motion and it passed by unanimous voice vote.

6. Approval of Minutes for November 4, 2011

Mr. Mortillaro asked for a correction on page 4, item C where it should said the Executive Director was authorized to spend up to $100,000 not $1,000.

Councilor Wismer moved to approve the minutes of November 4, 2011 as amended. Commissioner Anaya seconded the motion and it passed by unanimous voice vote.

7. Public Comments

There were no public comments.

PRESENTATION ITEMS:

A. Presentation to Honor Board Director and NCRTD Secretary/Treasurer, Michael Wismer

Chair Romero identified this as a big transition meeting. She presented a plaque and a gift to Councilor Wismer. He was not retiring but transitioning. She read the inscription on the plaque.

Commissioner Anaya felt no member was more important than another but Los Alamos had been especially supportive in contributions to the NCRTD.

Councilor Seeds thanked him for his professionalism and for being one of the moving forces to see that the support was done.

Commissioner Trujillo echoed his remarks and appreciated the way he conducted himself and taught others a few things as well.

Chair Romero thanked him for his gift of polity.

Councilor Wismer said he stepped in for his great colleague Jim West when he became ill. He thanked individual staff and board members - Mr. Valencia, Commissioner Trujillo, Councilor Seeds, Ms. Quintana, Mr. Caldwell, Commissioner Anaya, Commissioner Mayfield, Mr. Vigil, Mr. Dwyer, Mr. Mortillaro and Chair Romero and spoke of their individual contributions.

B. Presentation of Recognition and Appreciation for Retiring NCRTD Staff member Jack Valencia

Chair Romero acknowledged Mr. Valencia's service to the Board upon his retirement at the end of December. Mr. Mortillaro read the inscription from the plaque that listed his accomplishments with NCRTD and spoke of Mr. Valencia's work on behalf of the region.

Mr. Valencia thanked the Board members and staff for helping him do his job.

Commissioner Anaya and Commissioner Trujillo gave kudos to Mr. Valencia.

ACTION ITEMS FOR APPROVAL/DISCUSSION:

C. Approval of Resolution 2011-14: Open Meetings Act for 2012

Mr. Mortillaro said the Board adopts this annually and it sets the dates for regular meetings and how they conduct the meetings according to the Open Meetings Act. The only change was on April 6th which was Good Friday; otherwise it was first Friday of each month.

Commissioner Anaya moved to approve the resolution. Commissioner Trujillo seconded the motion and it passed by unanimous voice vote.

D. Approval of Resolution 2011-15: Resolution for the Renewal of Free Fares for 2012

Mr. Mortillaro asked Linda Trujillo to discuss this resolution. This was a renewal of the original resolution from 2008.

Ms. Trujillo called attention to the costs associated with using fare boxes and the benefits of continuing free fares instead of instituting fares for riding the buses.

Mr. Mortillaro shared the recent research on free fares for transit agencies. Thirty nine agencies around the country didn't charge - most were in small or rural communities - also universities. They found the biggest benefit was that it increased rider ship significantly. He felt that was very important.

The drivers get well acquainted with their passengers and indicated they would lose some if fares were started.

Mr. Boaz asked for a date correction from Dec 31 2013 to Dec 31 2012.

Chair Romero said the full report on fares was about 100 pages. There was a shorter version that was relevant to the work here.

Commissioner Anaya distributed a memo he wrote this morning. He said former Commissioner Sullivan had approached him about charging fares. He asked what the total estimated costs to just handle the money would be.

Mr. Mortillaro said it would cost $38,000 for installing fare boxes and another $37,000 to administer them. So $80,000 initially and roughly $40,000 thereafter.

Commissioner Anaya said it was the feeling of some that a more formalized method of tracking could be done better with a fare system. He asked if there was any other way to track the riders. When you charge a fare it was much easier to use.

Mr. Mortillaro said he rode one of the most modern transit systems in Europe not long ago and purchased an electronic ticket and watched others do the same. He saw people get on the bus without putting in any fare and the driver was busy and couldn't call them on it.

Mr. Bulthuis said with the size of the system and operation the manual tally was the most common across the country. Those fare boxes would not have a way to track occupancy but just revenue. These were not the validating fare boxes that the larger systems had and which were much more expensive.

Commissioner Anaya thought they should always analyze the resolution to dispel concerns about this way of doing business. This memo was written with the article in the Taos News that said how expensive the rider trips were.

Commissioner Anaya read his memo [attached as Exhibit A]. He acknowledged that the article could be written out of context. He acknowledged that they had to look at more than just the money. He fully supported the resolution.

Commissioner Anaya moved to approve the resolution. Commissioner Barrone seconded the motion.

Commissioner Barrone said if the NCRTD approved this they were taxing them with federal and local taxes.

Councilor Seeds agreed with Commissioner Barrone.

Chair Romero said they would have another look

The motion passed by unanimous voice vote.

Councilor Seeds suggested having a workshop ahead of this resolution next year. Chair Romero agreed to that directive.

Commissioner Anaya thought the workshop could be done at any time and the Board could consider changing the resolution at any time.

Councilor Seeds wanted to make sure they would do all they could to consider the taxpayers.

E. Approval of Resolution 2011-16: Requesting the Rio Metro Regional Transit District to Provide a

Board Seat to the North Central Regional Transit District

Mr. Mortillaro participated on the Rail Runner Finance Task Force and there was some discussion about seeing if NCRTD could get a seat on their board. They had an agreement and forwarded 50% of the Santa Fé portion of the NCRTD GRT to them for the Rail Runner. They indicated it would need a resolution.

He looked at the bylaws of Rio Metro. Theirs was quite a bit like ours and it would be a challenge to allow us to have a seat.

He was not sure of the politics among their members. This resolution makes a request for a seat but we might want to consider an ex officio seat. That wouldn't provide NCRTD with a vote but would officially recognize NCRTD as a member on their board. He thought it was a good idea.

The MPO also sent a letter requesting a seat for Santa Fé City and Santa Fé County. The MPO staff had not received a response to their request.

Rio Metro decisions did have an impact on Santa Fé so that was why it was an important consideration.

Chair Romero reported the City of Santa Fé had a meeting with Santa Fé County folks and Rio Metro folks back in the fall. Mayor Coss also requested a seat at the Rio Metro Board. The Mayor would defer to the RTD. He understood the dynamics of changing by-laws and IGAs would be very complex and challenging. So the City was amenable. They were a member of the MPO.

Councilor Wismer asked who was on that board now.

Mr. Mortillaro said it was representatives of Albuquerque, Bernalillo County as well as Sandoval County

Councilor Wismer asked what Mr. Mortillaro's role was there now/

Mr. Mortillaro clarified that he was on the Rail Runner Task Force for finances. They indicated they were having financial troubles and there were suggestions by Santa Fé County and representatives and they were forwarded to the Task Force. They now had a Governor's representative, a NMDOT representative and himself.

They came up with recommendations and one of the short-term ones was to approach the NCRTD for more money. So his preference was to have a vote. But it might be simpler to get an ex officio seat as a camel nose under the tent to get involved.

Councilor Wismer surmised it came down to at least being ex officio or to push for being a voting member. Mr. Mortillaro agreed.

Mr. Vigil wondered if the two could be tied together and Rio Metro be asked to grant voting privilege after two years. Then if they accepted the proposal after two years it would be automatic.

Mr. Mortillaro didn't know because the district was a geographic area. He questioned if they could put a district within a district or include Santa Fé County and put them into two taxing entities.

Mr. Dwyer noted later on the agenda was an item on considering other members. Other people were interested. Rio Metro had their own legal counsel and was free to disagree. The district boundaries were important for imposing taxes. The statute didn't do a good job about adding and subtracting members - not well written. Weighted voting was not addressed in the statute. They could give us one vote but not become a member of their district. So he thought it was possible but their legal counsel could disagree.

Commissioner Anaya said board members sat on various boards - RPOs or MPOs. They were going to be asked to sit on Mid Region RPO. Our one vote would not impact their decisions among those counties and cities so he would agree that they might not end up with a board seat but should still support the resolution. They were not unreasonable people. If it turned out to be ex-officio, so be it. He didn't think they would have a strong objection to us sitting at the table.

Chair Romero noted that they decided to reduce weekend service without talking with us. The NCRTD had to have some kind of representation. She wanted their whole board to understand the impact to our region when they take away weekend service. They made a decision and we have to have representation. She was hearing to seek full membership. Commissioner Anaya agreed.

Mr. Bob Sarr said he had followed the Rail Runner for a long time and strongly supported this resolution. The NCRTD definitely deserved to have a vote.

The motion passed by unanimous voice vote.

Commissioner Trujillo asked to hear Mr. Valencia's comment.

Mr. Valencia explained that originally when the decision was made it was to not be a voting member because of the insurance implications - that there could be a greater risk on our insurance costs because of greater liability exposure.

Mr. Mortillaro agreed that was an issue they discussed. A couple of weeks ago he and Mr. Dwyer met with the Municipal League and from their comments he no longer had that concern. Having a seat didn't change that.

Mr. Valencia apologized and was unaware of that conversation.

F. Discussion of New Membership Interests, Direction and Possible Board Actions

Mr. Mortillaro met with Nambé Pueblo about their interests in membership and with Commissioner Mayfield would meet with Governor Mirabal and the administrator Ms. Woods.

So he brought it forward for consideration. Also the Village of Chama was included in the minutes from

2010 about that. It had a list of questions to ask the Village and once answers were received could consider them for membership.

Staff wanted direction for how to handle requests for membership with a standard list of questions and could bring them to the next board meeting.

He asked Mr. Dwyer to talk about the lack of clarity in the bylaws.

Mr. Dwyer said a memo from two years ago was in the packet. It was based on a possible request to withdraw from membership. The key in the statutes was to look at geographic area as a taxing entity - through counties and not municipalities or pueblos. The statute didn't do a good job about how to do it.

The board amended the bylaws to add Taos County so it could be done. It required a 2/3 majority vote after a public notice and then take the IGA and get it re-executed by the counties. It took a long time last time. Then a new resolution on weighted voting would be needed. He didn't know how that was done but thought it was by subtracting populations of municipalities and pueblos in that county who were members.

Commissioner Anaya felt the broader the perspective, the better - so more members were better. So he would gladly help with Nambé Pueblo.

Councilor Seeds agreed. The RTD had a challenge ahead and needed to encourage other communities to partner with us and work out the voting. We got it done in the first place and need to improve on it. We'll need them to support this transit system soon.

Councilor Wismer supported those comments. He asked why they couldn't use the criteria in the by-laws. Ten items were listed but he thought they could use 3-4 of them - by-laws and IGA. A public hearing and then a vote - he asked if they could use that.

Mr. Dwyer agreed. The statute requirements were minimal. They worked on more details but they never got approved. So they would have a public meeting and then those seeking membership would indicate if they wanted to be members and then a 2/3 majority of votes and weighted votes and issue a revised IGA and everyone would have to support the agreement.

Councilor Wismer supported that.

Commissioner Mayfield asked Mr. Dwyer if they had to redo the weighted voting since the new census was completed.

Mr. Bulthuis didn't recall that was part of the original by-laws but it did make sense to do that.

Mr. Dwyer agreed it would make sense. The weighted voting was a resolution but not part of IGA or by-laws.

With a small member like Nambé and Chama, given their small size, would probably just get one vote. The core of the taxation scheme was that people in the area should have a say.

Commissioner Anaya moved to approve Nambé Pueblo and the Village of Chama as voting members.

Mr. Mortillaro conditioned it on doing these four things -

Commissioner Anaya asked about Edgewood whom the RTD already served.

Governor Mirabal was invited to speak and thanked the Board for that. His main concern was that Nambé was over 1.25 miles from the regular route and 2 miles to the pueblo offices. For now, he asked if it was possible to extend a route or stop at 101. That would be helpful.

Mr. Mortillaro said after they met with the Governor, he had staff look at it and found they could add a stop at 101 and could eliminate a couple of others so they would be putting that on a new schedule to start soon.

Mr. Vigil clarified that although minutes were part of public record, the tribal council minutes would not be made public but the Board would get a tribal resolution requesting membership in NCRTD. Under item 7 for turning over grants that entities might be getting, those grants were specific to the tribe for transportation so they probably would not be able to do that. Something about that would need to be written.

Mr. Mortillaro said Mr. Vigil was right and the rewritten tribal policy addressed that. Unfortunately the statute didn't include the tribal perspectives. He thanked Mr. Vigil for clarifying that.

Chair Romero suggested they could change that to add tribal process.

Mr. Dwyer clarified that there needed to be an open meeting for taxation purposes but our entities were already taxed. The statute was just poorly written.

Commissioner Anaya asked if he could finish his motion. Commissioner Anaya moved to approve Nambé Pueblo and the Village of Chama as voting members and to use the streamlined process and not compromise tribal sovereignty in any way. He added Picuris Pueblo, Edgewood and then made a substitute motion.

Councilor Anaya moved to send a letter to any eligible entity in the region through the streamlined process. Councilor Seeds seconded the motion.

Chair Romero said people did believe that if their entity joined the RTD they would get services but there was not extra money for that so she asked for a friendly amendment to have a resolution asking the county commissions to have a public meeting to consider whether these communities should be included with the understanding that the RTD had limited resources and people already had representation on the board through the County.

As a matter of record, the Town of Taos also asked for membership. We need to look at the Service Plan as a whole. Efficient services could help Nambé so there were ways to address it.

Commissioner Anaya didn't accept that as a friendly amendment. He would continue to advocate for membership expansion.

Councilor Wismer supported the motion but had a concern for pueblos that might want to apply under these provisions for pueblos - or in a case of a tribal government "as appropriate."

Mr. Dwyer thought that might be the way to go but they could not change the statute which required minutes of a public meeting. To the extent we didn't follow it that would not be legal.

Commissioner Anaya couldn't think of one legislator who wouldn't change the statute. **He accepted Councilor Wismer's friendly amendment to add "as appropriate."**

Mr. Dwyer said okay but was putting the Board on notice that he did notify the Board of the potential difficulty. He suggested the wording be, "or as appropriate from tribal entities."

Mr. Vigil didn't want to step on anyone's toes but there were plenty of statutes out there that wouldn't be followed on tribal grounds.

Mr. Dwyer agreed. It was just not well written and didn't contemplate this.

Mr. Vigil didn't think anyone would have a problem with it but if there was a question, they could contact state legislators.

Ms. Amer asked if tribes ever did public hearings.

Mr. Vigil said the invited guests would be asked to leave after discussion for a vote to be taken so it was not public per se. Each tribe was completely different - who sits on the council, who had a vote - it was just the way things were.

Mr. Dwyer added that the public meeting did not need to be part of a tribal council meeting. Maybe the Board could do that for the applicants. First they would need to check with them to see if that was okay.

Councilor Wismer said his amendment was to clarify that in the case of a tribal government to use an equivalent process.

Chair Romero said on page 2 they had 4 things and were trying to add to #3 to request instead of minutes of a public hearing an equivalent process. If they left #2 alone and ask for the changes to be on #3 it would be okay.

Commissioner Anaya thought having both was okay.

Commissioner Anaya said they dealt with the tribal governments regularly. He respected our legal counsel and was ready to vote.

Councilor Wismer summarized that they had a motion on the floor. He made a friendly amendment

which was accepted and also from #3 from Chair Romero so there were two friendly amendments.

Commissioner Anaya asked, once they were members, if he saw any problem with the balance of those things.

Mr. Mortillaro saw no problem.

Commissioner Anaya said it was then to talk with any entity in the region. Councilor Seeds was accepting the friendly amendments.

Mr. Caldwell believed the result would be a letter to tribes and municipalities in the region and thought when they received it they would consider themselves invited to be members. And then at a subsequent hearing of this Board, he thought they should develop the criteria and let those who were interested know about weighted voting as it stands today. But he asked if this passed if any entity that complied with the criteria would become a member.

Mr. Dwyer said it required a 2/3 majority vote of this board for that to happen.

Commissioner Anaya agreed. They would express interest or not and staff would report back those that were interested and the Board would have a public meeting with a 2/3 vote required.

Mr. Caldwell cautioned that the Board had to have the criteria for their membership and their understating of weighted votes. If that was done, he was fine with that. But until they established the criteria and how to process the requests there might be a delay.

Commissioner Anaya understood that. The letter needed to be clear that they were writing a letter to express interest in being a member of the board and then the Board would proceed through the rest of the process.

Mr. Caldwell thought should be tribes, pueblos and incorporated municipalities.

Mr. Dwyer said there was a list of eligible entities who could be members. They could sort it out at that time whether they qualified under the statute. The list was in the preamble of the statute.

Commissioner Anaya clarified that membership wasn't guaranteed. That needed to be clear in the letter.

Councilor Seeds proposed that staff should draft a letter and the Board approve it at the January meeting after review.

Ms. Amer thought they should deal with Nambé now.

Commissioner Anaya said if they opened the door partway it should be opened all the way. Everyone should be given the same opportunity. He reminded them that Cochiti was in his district and part of Santo Domingo - and they were sitting on the Rio Metro Board now and the train goes through their pueblo. So

there were other benefits. So he was okay in sending the letter to those eligible by the statute list.

Ms. Amer cautioned about avoiding a rolling quorum in the emailed responses. The members should only reply to Mr. Mortillaro to avoid that.

Commissioner Anaya summarized the motion.

The motion passed by majority roll call vote with Los Alamos County, Rio Arriba County, Taos County, Santa Fé County, Pojoaque Pueblo, San Ildefonso Pueblo, Santa Clara Pueblo and City of Española voting in the affirmative and the City of Santa Fé voting against (because of lack of clarity).

Ms. Woods said they were confused. The reason they were here was because they were invited. She was from Tesuque but worked for Nambé. They just wanted to have the same services their fellow pueblos were receiving. Their job was to provide services to their people.

Chair Romero invited her to attend the Tribal subcommittee.

DISCUSSION ITEMS:

G. Update of the Jim West Regional Transit Center

Mr. Mitch Davenport reported that the building was doing well and close to being done but was not ready to be occupied because of the soil problem. They were now investigating two alternatives - one was a chemical ionization treatment to the soil and an engineer was working on it. It was a quarter of the price so they were looking into it. While it had been used extensive in the rest of the world it had hardly been looked at all in the US.

The other alternative was concrete. That would be a great surface for the parking lot but very expensive.

We could always go back to the original design but it was not likely to work. The area was notorious for bad asphalt work. That was where it stands.

Commissioner Trujillo was bewildered because when he looked at asphalt parking lots around there they seemed to be okay. They set the contract up and wanted to hold the company accountable without change orders and this was a major change order. He saw most businesses around there with pretty good parking lots - Lowes, Chili's WalMart. He was just frustrated.

Chair Romero agreed.

Commissioner Trujillo asked who knew what would happen with putting the chemical into that soil.

Mr. Davenport said the claims were no environmental problem in that process. He did think they could

have a parking lot like Lowes. But the guy who built that one thought it would fail.

We could do what everyone else did in that area but he wanted the Board to understand that it could fail in a short amount of time.

Councilor Seeds felt that whatever happened in the next few years, the NCRTD would get blamed for putting chemicals in the ground.

Mr. Davenport had hoped to have the estimates before this meeting but couldn't.

Councilor Seeds said it was just a high water table and having it float with the water would be best.

Mr. Davenport said their civil engineer was working on a concrete plan and another engineer was working on the ionization process. Nothing would be done without the Board's approval.

Councilor Seeds asked how much longer it would be to occupy it.

Mr. Davenport said it could be occupied by December 26.

Councilor Seeds asked what the Board needed to do.

Mr. Davenport said if the Board wanted to pay for concrete, we could start tomorrow. He shared concerns with Commissioner Trujillo that their estimate was not reasonable.

Mr. Mortillaro said it was $500,000 to $600,000.

Chair Romero said they wanted really very good numbers.

Mr. Davenport said the ionization numbers were fabulous but he needed to first know if it would work. Also he had never seen concrete for this size parking lot. Time was money and they were in the middle of winter so he could not say.

Mr. Vigil asked what kind of guarantee we would get on this from the contractor.

Mr. Davenport said it was one year with the State of New Mexico price agreement. That was why he was trying to do a risk assessment on this. If we spend that kind of money and think it could fail in five years - that's crazy. But if we find a product that performs the way ionization works, they claim 15 years in other parts of the world. It was worth our time to look into it.

Commissioner Mayfield suggested moving into it in December by throwing some base course on the parking area so it could be used.

Mr. Davenport thought the City of Española would cooperate to get us a certificate of occupancy. Normally landscaping and curb and gutter would have to be in place and they wouldn't have those things. It was an option and he had discussed it with the city.

Ms. Amer read the article in the Rio Grande Sun about the geological evaluation - Apparently the problem was known and yet was approved. She asked if that was the architect who did that.

Mr. Davenport said the article was very misleading. He was quoted several times with things he didn't say. He explained the process. Weston did borings on the site as a sample of what the soil was and made recommendations based on what the RTD wanted to do on it - drive buses on it. The soils report went to architect and civil engineer.

They recognized in the soils report that there was a high water table and it was important that these soils didn't get wet.

Councilor Wismer excused himself from the meeting at this time.

Mr. Davenport said when they stripped off the asphalt they sank down in mud. The design team designed it based on the soils report. So it was hard to say it was their fault. Looking back it would have been better to not take off all of the asphalt but that was a typical process. He didn't think he could say it was the architect's fault. The aim was still to open the building in February. Mr. Mortillaro agreed.

Mr. Mortillaro said if they could not do it with funds available, he would come back.

Commissioner Trujillo hoped they could get this done before the winter got worse.

H. Financial Report:

- **Regional Transit GRT**
- **Combined P-L Format**
- **Status of the FY 2011 Audit**

Ms. Muniz had worked very hard over the last year to get our finances in order. She briefly reviewed the GRT report and summarized that they were on track. They were one third through the fiscal year and were falling right where they should be on most line items. She noted she was still processing October invoices. Overall, the expenses were about 28% of budget.

This morning she got confirmation that the audit was submitted by the 30th so they met the deadline.

Chair Romero congratulated her for the achievement.

Commissioner Anaya asked if she just got the agency to be point where they didn't have all those concerns. Ms. Muniz agreed.

I. Finance/Regional Coordination & Consolidation Subcommittee Report

Mr. Caldwell said they had a discussion last time on two items. Now he was delighted that he would get a replacement as chair of Finance Comm.

J. Executive Report for November 2011 and Comments from the Executive Director

- **Request for Submittal of Letter to Los Alamos County Regarding the Progress Through Partnering Program**

Mr. Mortillaro said the Executive Report was in the packet.

He said the Los Alamos County Council would discuss the Progress through Partnering Program. They have $1.5 million for a regional project. He spoke with the chair and staff and they suggested we send a letter to renew that funding for the NCRTD. What he was requesting was authorization to send it.

Commissioner Anaya moved to approve the request. Commissioner Barrone seconded the motion and it passed by unanimous voice vote.

Commissioner Barrone asked if anyone would be there to speak to it.

Mr. Mortillaro said he would find out what they needed to do. There were other things that were funded and he didn't know how much they might award the NCRTD. We want them to renew the five year agreements that provided for a five year program.

Chair Romero asked him to email the letter to all board members. Mr. Mortillaro agreed.

Mr. Mortillaro said a gentleman from Ojo Caliente asked for a change in the route stop in their community and to let you know, Ms. Trujillo was able to add that stop.

Ms. Trujillo said he even offered to put up a sign for us. We were out of route stop signs.

Chair Romero appreciated her work and his contribution.

Mr. Mortillaro said they were not done with audits. The NMDOT Inspector General wanted to audit their pass-through federal funds that come to the District. Ms. Muniz was working with them on the audit. The FTA come February would also audit the district. So it was 5 audits in one year. And that was okay because it would put a line between what was past and what was going forward.

MATTERS FROM THE CHAIRWOMAN

- **Appointment of Secretary/Treasurer**

Chair Romero asked, with Councilor Wismer leaving the RTD, if the Board could postpone this matter until January when Councilor Geoff Rodgers would be present. The Board agreed.

- **Appointments for Chairpersons of the Tribal and Finance Subcommittees**

Chair Romero asked Tim Vigil to chair the Finance and Tesuque Pueblo to chair the Tribal Subcommittee. She thought Gov. Dorame would ask Sam Romero to do that.

She thanked Mr. Vigil for doing this. With his expertise and experience with Pojoaque he would do well.

MATTERS FROM THE BOARD

Commissioner Anaya suggested it wouldn't hurt to have multiple board members go to the audit exits. It was the chair's prerogative.

Chair Romero said she did invite the officers and would invite all board members so they could get further input.

Commissioner Mayfield thanked Mr. Mortillaro and staff for cleaning the shelters. He saw the article.

Councilor Seeds pointed out that the discussion on the parking lot had no decision.

Chair Romero said only a budget change request would bring it for a vote by the Board.

Mr. Mortillaro said if the option was within the budget we would move forward and if it was not, he would bring it to the Board.

Mr. Mortillaro and Chair Romero wished everyone a Merry Christmas.

MISCELLANEOUS

There were no miscellaneous items.

NEXT BOARD MEETING: January 6, 2011 at 1:00 p.m.

ADJOURNMENT

The meeting was adjourned at 3:45 p.m.

Approved by:

Rosemary Romero

Rosemary Romero, Chair

Attest:

Michael Wismer

Michael Wismer, Secretary

Submitted by:

Carl Boaz

Carl Boaz, Stenographer

Agenda Report
NCRTD Board of Directors Meeting
Meeting Date: December 2, 2011

Agenda Item # D

Title: Resolution 2011-15: Providing for the Continuation of Resolution 2010-09 to Eliminate Fares for all Fixed Routes and Paratransit up to Three Fourths of a Mile from Fixed Routes.

Prepared By: Linda Trujillo, Service Development Manager

Summary: This resolution will continue a fare free policy for the NCRTD on fixed routes and Para transit up to three fourths of a mile from fixed routes operated by the NCRTD.

Background: The first resolution for free fares (2008-04) was adopted by the NCRTD board on May 9, 2008, and continued by resolutions 2008-16, 2009-06, and 2010-09. This resolution will continue free fares until December 31, 2013. Retaining free fares on fixed routes will eliminate the necessity for capital investment in fare box collection equipment of approximately $38,836.00 with annual administrative and collection costs of $37,388.00. It will allow for continued high ridership, driver focus on safety, and routes running in a timely manner.

Fare-free transit brings many benefits, some of which include:

1. A barrier-free transportation option to *every* member of the community (no more worries about exact change, expiring transfers, or embarrassment about how to pay);
2. Eliminating a "toll" from a mode of transportation that we as a society want to be used (transit is often the only way of getting around that charges a toll);
3. Reducing the inequity between the subsidies given to private motorized vehicle users and public transport users;
4. Reducing, and in some cases eliminating, the need for private motorized vehicle parking;
5. Reducing greenhouse gas emissions, other air pollutants, noise pollution, and run-off

of toxic chemicals into fresh water supplies and ocean environments;
6. Reducing overall consumption of oil and gasoline;
7. Eliminating the perceived need to spend billions on roads and highways;
8. Contributing significantly to the local economy by keeping our money in our communities;
9. Allowing all bus doors to be used to load passengers, making service faster and more efficient;
10. Allowing operators (drivers) to focus on driving safely;
11. Giving operators more time to answer questions;
12. Providing operators a safer work environment since fare disputes are eliminated;
13. Eliminating fare evasion and the criminalization of transit-using citizens;
14. Fostering more public pride in shared, community resources.

Recommended Action: It is recommended that the Board move for passage of Resolution 2011 - 15

Options/Alternatives: As an option the Board may consider establishing a fare policy, and direct staff to return with various options regarding fares and the timeline for public hearings to solicit public comment and the implementation of acquisition of capital investment and staffing.

Fiscal Impact: It is estimated that the cost for equipment is approximately $38,836.00, with an ongoing cost of approximately $37,388.00 for staff to pull boxes daily, count money, and make daily deposits.

Attachments:

1. Resolution 2011-15
2. Cost breakdown spreadsheet

Fare Box Purchase and Installation

Main Fare Box

M4 - Fare Box			
Unit Price	$606.00		$21,816.00
Second Vault	$237.00		$8,532.00
Mounting Stand	$126.00		$4,536.00
shipping	$32.00		$1,152.00
Total	$1,001.00	each	$36,036.00

Presently 36 vehicles need fare boxes

Total	$36,036.00	
	$2,800.00	estimated installation charge
	$38,836.00	

Diamond Fare Box

Model D Fare Box			
Unit Price	$1,035.00		$37,260.00
Second Vault	$430.00		$15,480.00
Mounting Stand	$134.00		$4,824.00
Shipping	$38.00		$1,368.00
Total	$1,637.00	each	$58,932.00

Presently 36 vehicles need fare boxes

Total	$58,932.00	
	$2,800.00	estimated installation charge
Total	**$61,732.00**	

Coin Counter	**$500.00**	
Staff Cost	$208.00	per week for supervisor to pull boxes (2.0 hours per day @ 20.80 per hour)
	$422.70	per week for supervisor and Admin Asst to verify/count/perpare deposit
	$88.30	per week for Admin Asst to take to bank
Total per week	$719.00	to process fares
Total annual cost	**$37,388.00**	

Amount of Bank fees for separate account

North Central Regional Transit District (NCRTD)

Resolution 2011- 15

A RESOLUTION PROVIDING FOR THE CONTINUATION OF RESOLUTION 2010-09 TO ELIMINATE FARES FOR ALL FIXED ROUTES AND PARATRANSIT UP TO THREE FOURTHS OF A MILE FROM FIXED ROUTES OPERATED BY THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT.

WHEREAS, the North Central Regional Transit District ("District") provides public transportation or coordinates with public transportation providers in a four county area; and,

WHEREAS, continuing a free fare will extend promotion of increased fixed route and paratransit ridership; and,

WHEREAS, increased ridership will continue to reduce the number of cars on the District's roadways decreasing traffic congestion; and,

WHEREAS, fewer vehicles on the District's roadways will continue to reduce harmful environmental effects of automobile use; and,

WHEREAS, free fares will continue to offer an attractive alternative to driving individual and single occupancy vehicles; and,

WHEREAS, bus drivers would be able to continue focus on driving rather than the collection of correct fares, and would provide greater customer service.

NOW, THEREFORE, BE IT RESOLVED that the North Central Regional Transit District Board of Directors hereby eliminates fares on all fixed routes and paratransit up to three fourths of a mile from fixed routes operated by the North Central Regional Transit District from January 1, 2012 to December 31, 2013.

PASSED, APOPROVED AND ADOPTED BY THE GOVERNING BODY OF THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT ON THIS 2ND DAY OF DECEMBER 2011.

Rosemary Romero, Chair

Approved as to form:

Peter Dwyer, Counsel

Agenda Report
NCRTD Board of Directors Meeting
Meeting Date: September 7, 2012

Agenda Item - E

Title: Review and acceptance of Goals and Objectives for Executive Director for the period of June, 2012 – June, 2013

Prepared By: Anthony J. Mortillaro, Executive Director

Summary: The attached document reflects the Goals and Objectives that were developed and reviewed on August 20, 2012, by the Executive Officers and Chair of the Tribal Subcommittee. The attendees that participated in the process of reviewing this document were Chairman Daniel Barrone, Vice-Chairman Barney Trujillo, Secretary/Treasurer Geoff Rodgers, and Tribal Subcommittee Chair Mary Lou Valerio.

Background: The Executive Directors employment agreement requires that annual goals and objectives be developed.

Recommended Action: It is recommended that the Board move for acceptance of the attached Goals and Objectives.

Options/Alternatives: N/A

Fiscal Impact: None

Attachments:

- Goals and Objectives

Anthony J. Mortillaro, Executive Director

Performance Goals and Objectives for ~~September 2011 –~~ **June 2012 – June 2013**

Goals are divided into three categories:

- Organizational Goals;
- Project and Service Delivery Goals, the activities that will improve transportation for the public; and
- Administrative Goals, the actions aimed at maximizing the effectiveness of the District's internal operations.

Organizational Goals

Goal 1: ~~Develop a~~Maintain the long-range strategic financial and capital ~~plan~~plans.

Objectives:

a. ~~Create a~~Annually update the 10 year long range financial plan for presentation to the Board and adoption.
b. ~~Develop a~~Annually update the 10 year capital ~~equipment and facilities improvement~~investment plan for presentation to the Board and adoption.

Goal 2: Maximize state, federal and local funding.

Objectives:

a. Continue to work with NMDOT and submit funding requests.
b. Continue to seek out new funding from various sources.
c. Continue to work with Tribal Members to apply for funding requests.
d. Continue to work with municipal and county members on funding partnerships opportunities.

Goal 3: Increase the visibility of the NCRTD.

Objectives:

a. Renew district informational materials to reflect district initiatives (ongoing).
b. ~~Expand~~Continue outreach to media outlets (ongoing).
c. Meet individually at least once annually with each member districtand present the Districts Annual Report.
d. ~~Develop~~ Implementstrategic marketing plan (based upon funding availability).
~~e. Improve Web Site.~~
e. Continue web site improvements (establish a list of proposed modifications).
f. Maintain transparency.

Goal 4: Service Plan.

~~Page | 3~~

Objectives:

~~a. Continue implementation of the service plan goals as funded.~~

~~b.~~a. Update service plan~~as long as funding is provided (FY 12/FY 13).~~.

Project and Service Delivery Goals

Goal 5: Manage construction of new RTD facility (recognizing that this project was in an advanced construction phase prior to Executive Director's tenure).

Objectives:

~~a. Oversee construction manager and project staff.~~

~~b.~~a. Ensure project is completed ~~no later than June~~ 2012.

b. Ensure an orderly occupancy of the facility.

c. Follow through on punch list items.

Goal 6: Oversee implementation of the FY 13 Capital Investment Plan.

Objectives:

a. Implement the various capital investments funded in FY 13.

i. Bus acquisitions;

ii. HVAC enclosures and fleet maintenance door;

iii. Explore photovoltaic system to power RTD facility;

iv. Schedule, reporting, vehicle location software;

v. Fueling facility, shelters, signage, schedule holders and trash cans.

Administrative Goals

Goal ~~7~~6: Financial Management.

Objectives:

a. Ensure Annual Audits are timely.

b. ~~Oversee~~Continue to oversee and implement corrections and reforms to address management findings in past audits.

~~c. Revise financial policies.~~

c. Formulate a budget document that serves as a planning, financial, and information tool.

Goal ~~8~~7:Fill staff vacancies, initiate transition of assignments and support professional development of all staff.

Objectives:

a. Fill vacant positions with qualified individuals.
b. As staff transition occurs, evaluate the opportunities for reorganization.
c. Promote professional development of staff through training, educational coursework and participation in professional associations (ongoing).
d. ~~Evaluate the need to require CDL certification for all drivers and associated compensation practices.~~
e. d. Ensure that all driver training requirements are brought into compliance provided appropriate funding is allocated by the Board.

Goal ~~9~~8: Collective Bargaining

Objectives:

a. Conduct negotiations and present a collective bargaining agreement to the Board for consideration.

Goal 10: Update of District Compensation and Classification Plan

Objectives:

a. Develop RFP for solicitation of a consultant to conduct a compensation and classification survey and analysis.
b. Present results of classification and compensation study to Board for deliberation and adoption.

Goal 11: Update policies and procedures.

Objectives:

a. ~~Review~~Continue to review district personnel policies, practices and procedures and update as needed.
b. ~~Revise~~Continue to revise district administrative policies and procedures~~.~~ and update as needed.

Goal ~~9~~12: Ensure that the Executive Director understands Board members' and member goals for the organization and other transit agencies.

Objectives:

a. Meet with each Board member to discuss his or her ideas on goals and objectives for the district.
b. Meet with executive staff from member entities to review goals and priorities.
c. Update Executive Director's goals to reflect Board member and member comments.

Agenda Report
NCRTD Board of Directors Meeting
Meeting Date: September 7, 2012

Agenda Item - F

Title: Resolution No. 2012-22 Adopting an Infrastructure Capital Improvement Plan (ICIP)

Prepared By: Linda Trujillo, Service Development Manager

Summary: This Resolution is required to be considered for State Capital funding.

Background: This is for the annual submission of the ICIP and is representative of 5 years of the Capital Investment Plan presented to the Board and adopted with the Budget for FY 2013 by Resolution 2012-10.

Recommended Action: Adoption by the Board.

Options/Alternatives: Alternatives would be to not participate in the State of New Mexico's ICIP process.

Fiscal Impact: The fiscal impact would be potential State funding ver a five year period for the top five projects. The projects and suggested order of priority for funding in FY 14 are as follows:

1. Fleet replacement
2. Paving bus parking area
3. Shelters
4. Satellite facility
5. Transit Oriented Development Site Plan

Attachments:

Five year Capital Investment Plan

North Central Regional Transit District

Resolution 2012-22

A RESOLUTION ADOPTING AN INFRASTRUCTURE CAPITAL IMPROVEMENT PLAN (ICIP)

WHEREAS, the special district of the North Central Regional Transit District recognizes that the financing of public capital projects has become a major concern in New Mexico and nationally; and

WHEREAS, in times of scarce resources, it is necessary to find new financing mechanisms and maximize the use of existing resources; and

WHEREAS, systematic capital improvements planning is an effective tool for communities to define their development needs, establish priorities and pursue concrete actions and strategies to achieve necessary project development; and

WHEREAS, this process contributes to local and regional efforts in project identification and selection in short and long range capital planning efforts.

NOW, THEREFORE, BE IT RESOLVED BY THE SPECIAL DISTRICT, THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT that:

1. The special district, the North Central Regional Transit District has adopted the attached Infrastructure Capital Improvement Plan, which was adopted with the FY 2013 Budget by Resolution #2012-10 on June 1, 2012; and

2. It is intended that the Plan be a working document and is the first of many steps toward improving rational, long-range capital planning and budgeting for New Mexico's infrastructure.

PASSED, AND APPROVED AND ADOPTED BY THE GOVERNING BODY OF THE NORTH CENTRAL REGIONAL TRANSIT DISTRICT ON THIS 7th day OF SEPTEMBER 2012.

_____
Daniel Baronne, Chair

Approved as to form:

_____
Peter Dwyer, Counsel

NCRTD 5 Year Capital Investment Plan (CIP)

	FY 14	FY15	FY16	FY 17	FY 18
Fleet Replacement	$750,000	$516,000	$402,000	$706,000	$712,000
Lift (new mtce building)				$100,000	
Oil Recovery Sytem(new mtce building)				$8,000	
Waste Oil Heater(new mtce building)				$12,000	
Brake Lathe(new mtce building)				$10,000	
Maintenance Facility			$100,000	$1,500,000	
Paving bus parking area	$90,000				
Bus Protective Awnings		$422,500			
Transit Orientated Development Site Planning	$70,000				
75 Shelters (15/yr @ $4,000 ea. X 5 years)	$60,000	$60,000	$60,000	$60,000	
Satellite Facilities (SF,Taos)	$75,000			$75,000	
Signage, trash receptacles and Schedule holders at bus stops (100@$500 ea.)					$10,000
Total	**$1,045,000**	**$998,500**	**$562,000**	**$2,471,000**	**$722,000**

Financial Summary
August 31, 2012

Summary

NCRTD is currently reporting two months of activity. Expenses for the Month Ending August 2012 should have approximately 17% of budget spent. The Finance Department has not processed Payroll for the pay-period ending August 31, 2012 and will not be reflected on this report; however, Accounts Payable will be reflected of all expenses since the last check run for the month has been performed.

All budget figures in the Revenue and Expense charts and tables have been divided using a straight-line method to allocate monthly budgeted figures. A comparative analysis in Revenue and Expenses is also presented to compare the previous year operating results. As the District and the Finance Department compiles this data, the Departments will be able, in the future, to assemble a budget that is more detail and trended by the month that will help in planning purposes.

Financial Highlights

Revenue

As of August 31, 2012 total revenue of $1,104,221 was received by district. The proceeds consisted of $1,073,675 of Gross Receipt Taxes (GRT) collected by participating counties, $29,837 consisting of Proceeds from the Sale of Auctioned Vehicles, Transit Fares in the amount of $354, $279 of Bank Interestand Miscellaneous Revenueof $76.

The amounts collected in the months of July and August are lagging two months behind from the participating counties.GRT received at the District in the month of July and August 2012 is actual collections from the months of May and June 2012. The District received proceeds in the month of August 2012 of $521,420 from participating counties compared to $552,255 in the month of July 2012. This was a 5% decrease in collections remitted. However, this is 11.3% collection of budgeted revenues.

Expenditures:

For the month ended August 30, 2012, the District has recognized expenditures totaling $884,645 which is approximately 9% of total budgeted expenditures. This percentage is below the 17% for this time period on budgeted expenditures. Of this $884,645 spent by the District, $144,309 was in the area of Administration, $740,336 in the area of Operations and $0 was spend on the purchase of Capital Outlay. Administration has spent 12.4% of their budget, Operations has spent 10.4% and 0.0% in Capital Outlay. In the area of Operations expenditures, the $740,336 spent consisted of two months GRT transfers to the Rio Metro Transit District in the amount of $341,772, therefore, true expenses for the Operations Department is $398,614.

Other Financial Updates:

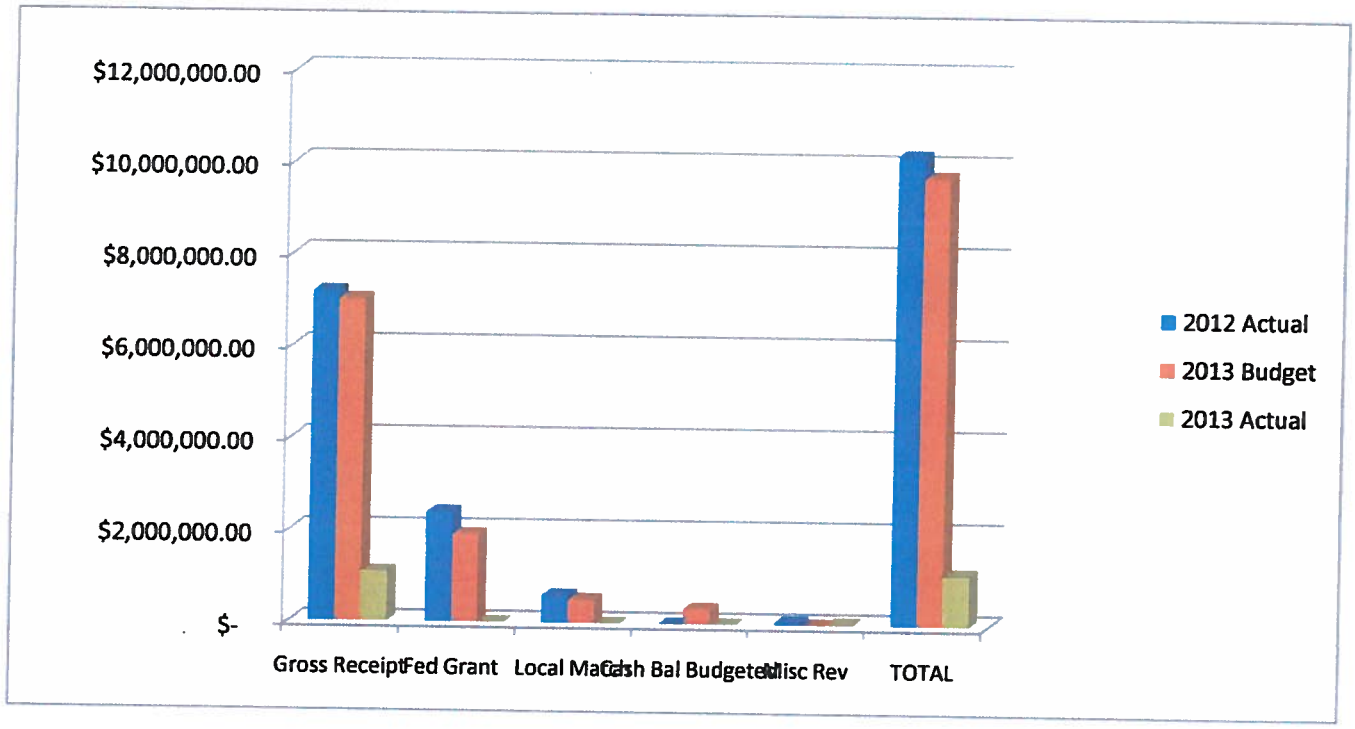
- Federal Transit Administration – Financial Management Overview
  - The Audit report was presented to the Finance Committee at the August 31, 2012 meeting.
- NM Department of Transportation – Office of Inspector General Audit
  - No report has been forward to the District as of August 31, 2012.
- Annual District Audit
  - The NCRTD has signed a letter of engagement and the Finance Committee. Finance department staff is currently working on several Audit Work-Papers that are prepared by client items that will be forwarded to the firm by September 7, 2012.
  - The Audit firm and District has not determined when the Firm will be on-site for the actual review. This is however anticipated to begin Second or Third week of September.

This Financial Summary should be reviewed in conjunction with the Monthly Board Financial Report

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)
NCRTD Revenue by Sources

As of August 31, 2012



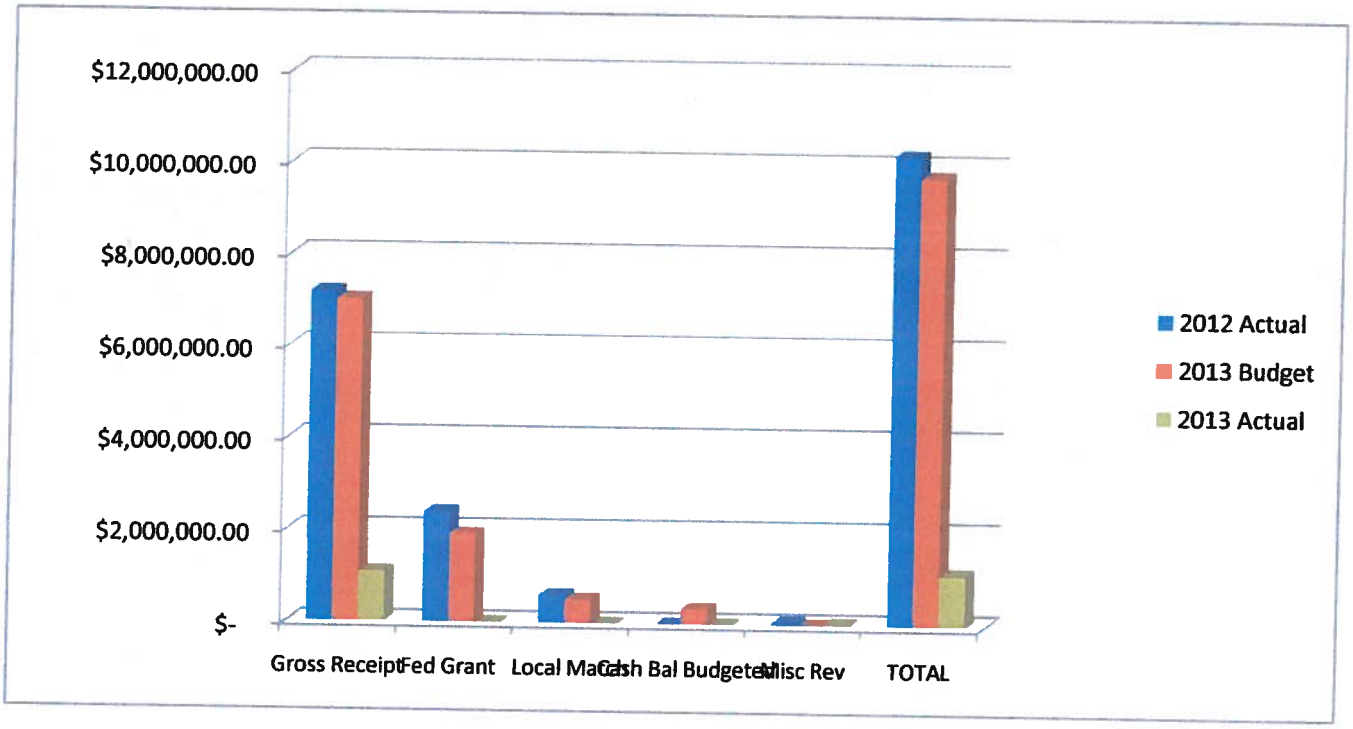
		2012 Actual	2013 Budget	2013 Actual	% of Actual vs budget
Gross Receipt	$	7,183,334.39	$ 7,013,800.00	$ 1,073,675.07	15.3%
Fed Grant	$	2,397,969.90	$ 1,917,879.00	$ -	0.0%
Local Match	$	600,000.00	$ 500,000.00	$ -	0.0%
Cash Bal Budgeted	$	-	$ 333,000.00	$ -	0.0%
Misc Rev	$	56,140.06	$ -	$ 30,546	0.0%
TOTAL	$	10,237,444.35	$ 9,764,679.00	$ 1,104,221.43	11.3%

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

NCRTD Revenue by Sources

As of August 31, 2012

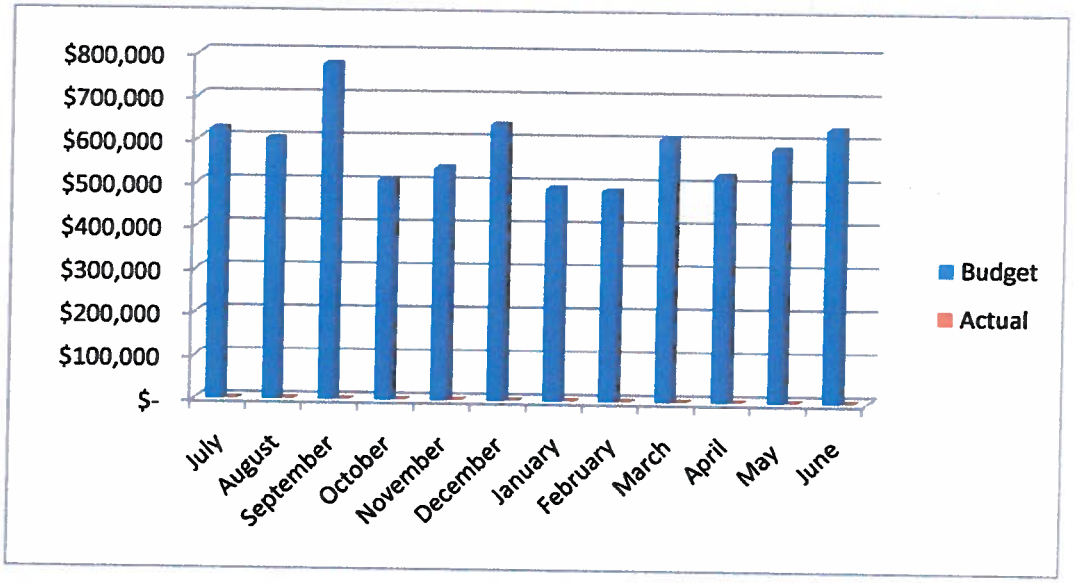


		2012 Actual		2013 Budget		2013 Actual	% of Actual vs budget
Gross Receipt	$	7,183,334.39	$	7,013,800.00	$	1,073,675.07	15.3%
Fed Grant	$	2,397,969.90	$	1,917,879.00	$	-	0.0%
Local Match	$	600,000.00	$	500,000.00	$	-	0.0%
Cash Bal Budgeted	$	-	$	333,000.00	$	-	0.0%
Misc Rev	$	56,140.06	$	-	$	30,546	0.0%
TOTAL	$	10,237,444.35	$	9,764,679.00	$	1,104,221.43	11.3%

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Gross Receipts Revenue Thru August 31, 2012



Budget to Actual FY2013

($ thousands)

	Budget	Actual	Actual Revenue % of Monthly Budget
July	$ 624,424	$ -	0%
August	$ 602,595	$ -	0%
September	$ 776,092	$ -	0%
October	$ 506,704	$ -	0%
November	$ 536,922	$ -	0%
December	$ 638,669	$ -	0%
January	$ 492,211	$ -	0%
February	$ 486,854	$ -	0%
March	$ 608,187	$ -	0%
April	$ 522,719	$ -	0%
May	$ 585,819	$ -	0%
June	$ 632,603	$ -	0%
May 2012 YTD	**$ 7,013,799**	**$ -**	**0%**

Prior Year vs. Current Year

($ thousands)

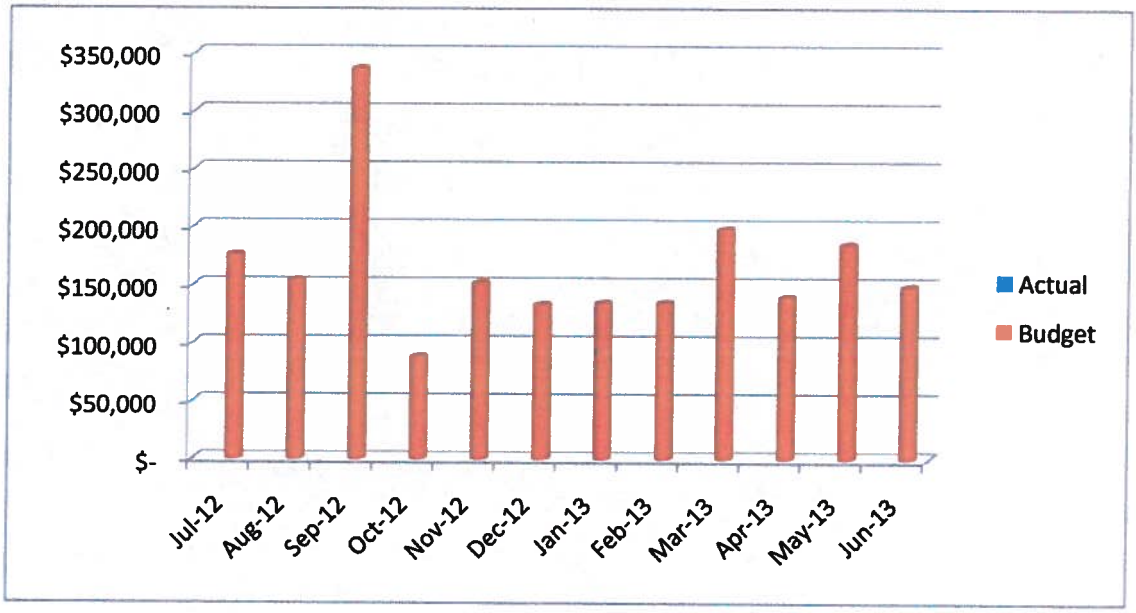
	Prior Year FY2012	Current Year FY2013	Inc/Dec from Prior Year to Current Year
July	$ 537,428	$ -	$ (537,428)
August	$ 637,978	$ -	$ (637,978)
September	$ 890,381	$ -	$ (890,381)
October	$ 421,413	$ -	$ (421,413)
November	$ 487,320	$ -	$ (487,320)
December	$ 706,831	$ -	$ (706,831)
January	$ 607,499	$ -	$ (607,499)
February	$ 354,166	$ -	$ (354,166)
March	$ 641,741	$ -	$ (641,741)
April	$ 669,266	$ -	$ (669,266)
May	$ 552,255	$ -	$ (552,255)
June	$ 521,420	$ -	$ (521,420)
May 2012 YTD	**$ 7,027,698**	**$ -**	**$ (7,027,698)**

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Gross Receipts Revenue By County

LOS ALAMOS COUNTY



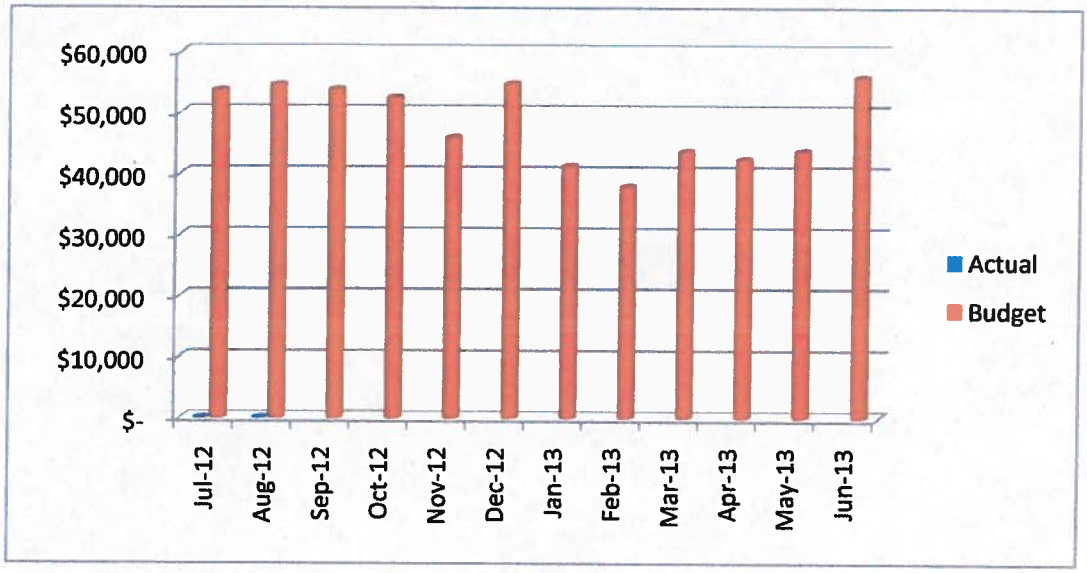
Date Received	Actual	Budget	Actual Revenue % of Monthly Budget
Jul-12	$	176,002	0%
Aug-12	$	154,497	0%
Sep-12	$	336,445	0%
Oct-12	$	88,794	0%
Nov-12	$	151,722	0%
Dec-12	$	133,190	0%
Jan-13	$	134,479	0%
Feb-13	$	134,677	0%
Mar-13	$	198,398	0%
Apr-13	$	140,028	0%
May-13	$	184,921	0%
Jun-13	$	148,848	0%
YTD Total	$ -	$ 1,982,001	0%

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Gross Receipts Revenue By County

RIO ARRIBA COUNTY



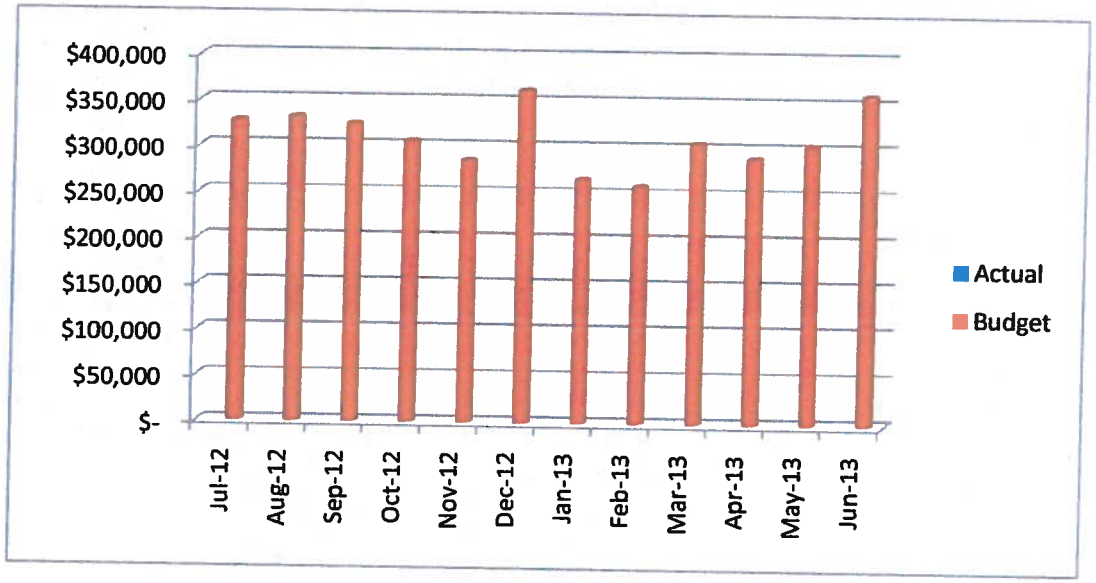
Date Received	Actual	Budget	Actual Revenue % of Monthly Budget
Jul-12	$ -	$ 53,708	0%
Aug-12	$ -	$ 54,636	0%
Sep-12		$ 53,824	0%
Oct-12		$ 52,490	0%
Nov-12		$ 45,878	0%
Dec-12		$ 54,810	0%
Jan-13		$ 41,238	0%
Feb-13		$ 37,874	0%
Mar-13		$ 43,674	0%
Apr-13		$ 42,340	0%
May-13		$ 43,732	0%
Jun-13		$ 55,796	0%
YTD Total	$ -	$ 580,000	0%

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Gross Receipts Revenue By County

SANTA FE COUNTY



Date Received	Actual	Budget	Actual Revenue % of Monthly Budget
Jul-12		$ 327,152	0%
Aug-12		$ 331,996	0%
Sep-12		$ 324,357	0%
Oct-12		$ 305,913	0%
Nov-12		$ 286,164	0%
Dec-12		$ 363,295	0%
Jan-13		$ 266,602	0%
Feb-13		$ 259,150	0%
Mar-13		$ 306,099	0%
Apr-13		$ 290,822	0%
May-13		$ 303,863	0%
Jun-13		$ 360,686	0%
YTD Total	$ -	$ 3,726,099	0%

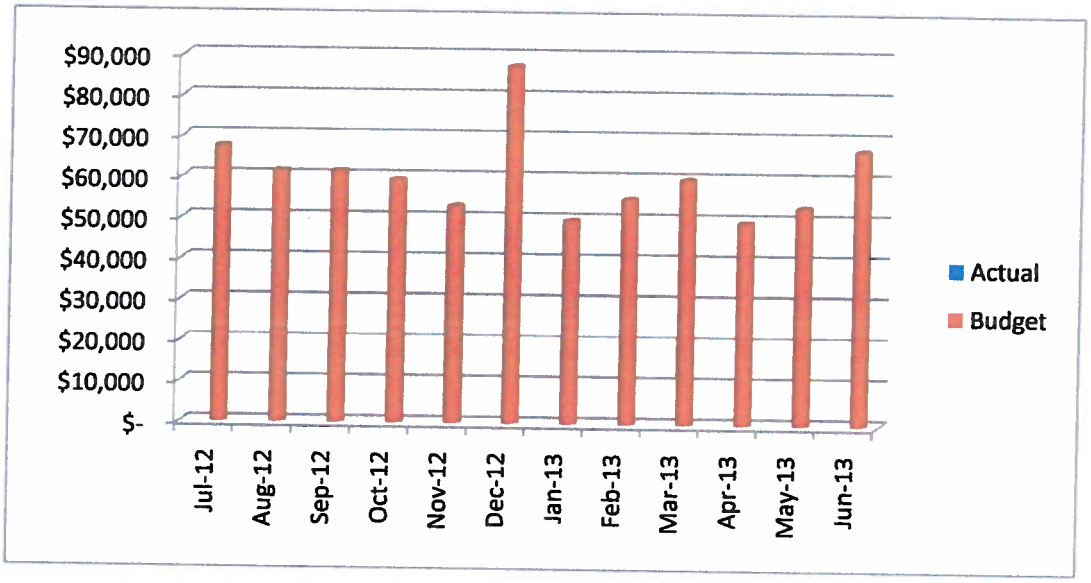
** Note one-half of the SF County GRT is allocated to Rio Metro

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Gross Receipts Revenue By County

TAOS COUNTY

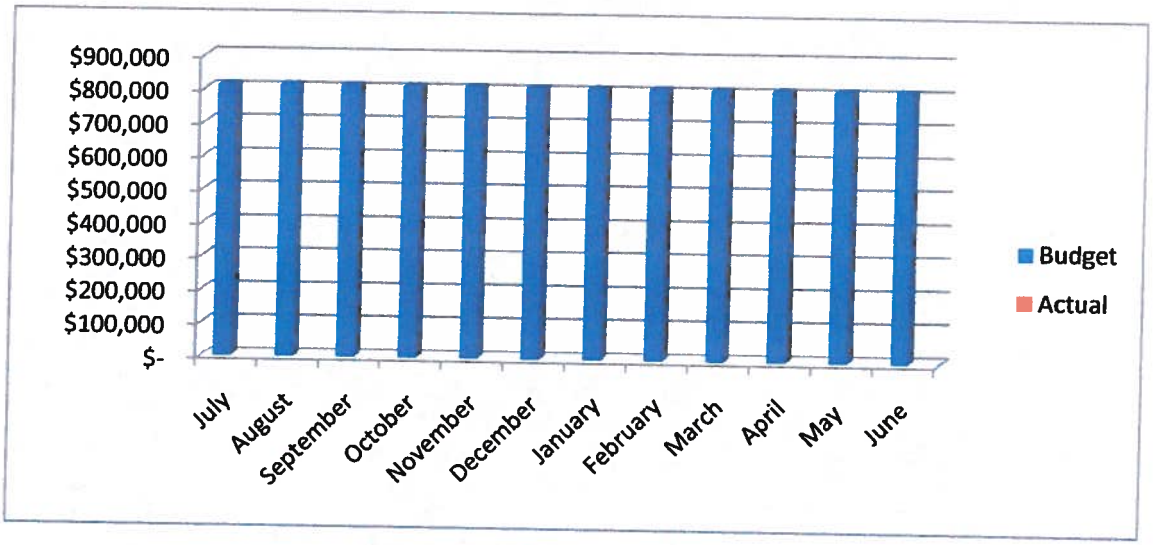


Date Received	Actual	Budget	Actual Revenue % of Monthly Budget
Jul-12		$ 67,563	0%
Aug-12		$ 61,467	0%
Sep-12		$ 61,467	0%
Oct-12		$ 59,507	0%
Nov-12		$ 53,158	0%
Dec-12		$ 87,374	0%
Jan-13		$ 49,892	0%
Feb-13		$ 55,153	0%
Mar-13		$ 60,015	0%
Apr-13		$ 49,529	0%
May-13		$ 53,303	0%
Jun-13		$ 67,272	0%
YTD Total	$ -	$ 725,700	0%

MONTHLY BOARD REPORT

FY2013 (July 1, 2021 to June 30, 2013)

Grant Revenue



Budget to Actual FY2013
($ thousands)

	Budget	Actual	Actual Revenue % of Monthly Budget
July	$ 813,723		0%
August	$ 813,723		0%
September	$ 813,723		0%
October	$ 813,723		0%
November	$ 813,723		0%
December	$ 813,723		0%
January	$ 813,723		0%
February	$ 813,723		0%
March	$ 813,723		0%
April	$ 813,723		0%
May	$ 813,723		0%
June	$ 813,723		0%
July 2012 YTD	**$ 9,764,680**	**$ -**	

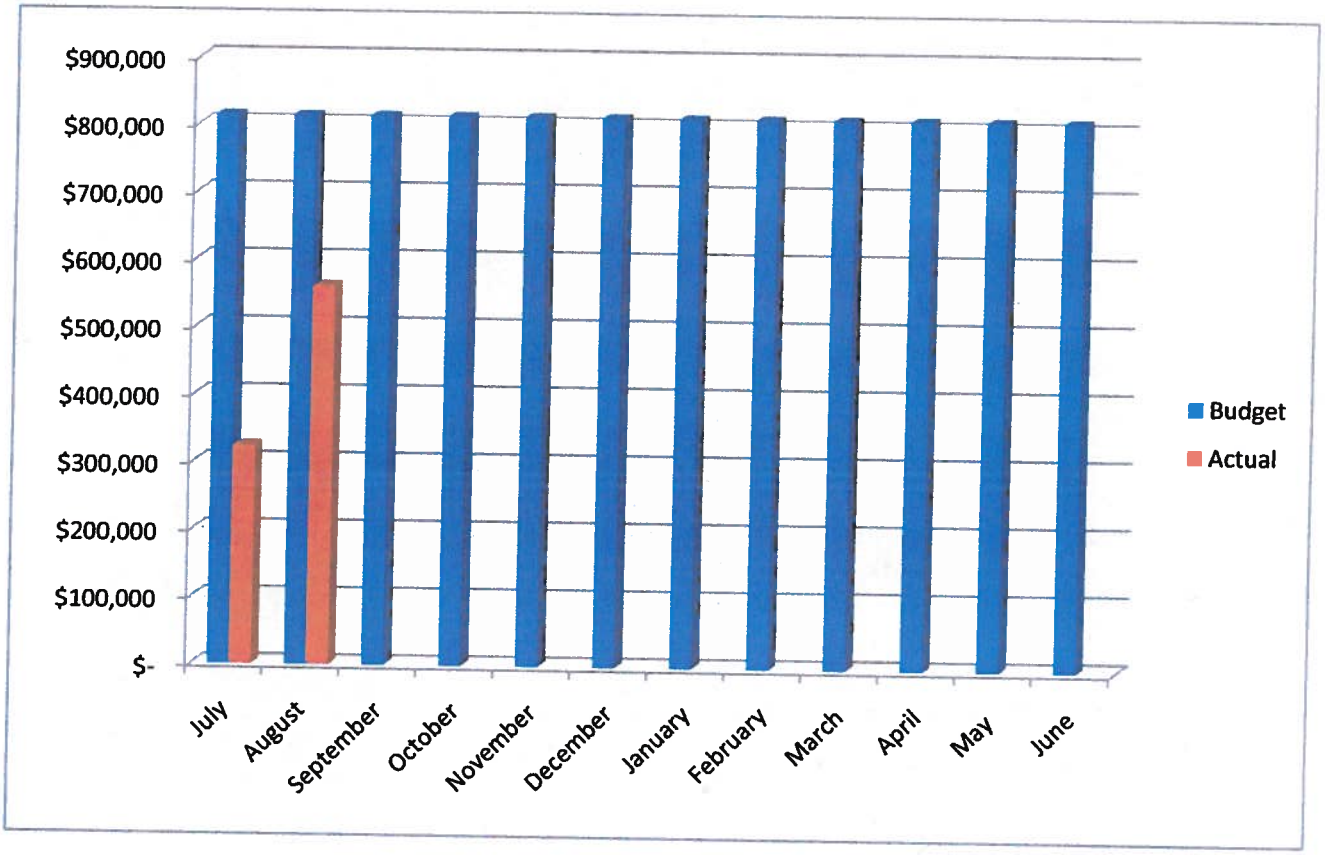
Prior Year vs. Current Year
($ thousands)

	Prior Year FY2012	Current Year FY2013	Inc/Dec from Prior Year to Current Year
July	$ 117,255	$ -	$ (117,255)
August	$ 277,214	$ -	$ (277,214)
September	$ 147,307	$ -	$ (147,307)
October	$ 106,559	$ -	$ (106,559)
November	$ -	$ -	$ -
December	$ 78,638	$ -	$ (78,638)
January	$ 166,375	$ -	$ (166,375)
February	$ 630,114	$ -	$ (630,114)
March	$ 160,966	$ -	$ (160,966)
April	$ 315,561	$ -	$ (315,561)
May	$ 153,703	$ -	$ (153,703)
June	$ 192,660	$ -	$ (192,660)
July 2012 YTD	**$ 2,346,352**		

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

NCRTD BUDGET EXPENDITURES OVERALL



Budget to Actual FY2013
($ thousands)

	Budget	Actual	Inc/Dec of Budget vs Actual
July	$ 813,723	$ 323,565	$ 490,159
August	$ 813,723	$ 561,081	$ 252,643
September	$ 813,723		$ 813,723
October	$ 813,723		$ 813,723
November	$ 813,723		$ 813,723
December	$ 813,723		$ 813,723
January	$ 813,723		$ 813,723
February	$ 813,723		$ 813,723
March	$ 813,723		$ 813,723
April	$ 813,723		$ 813,723
May	$ 813,723		$ 813,723
June	$ 813,723		$ 813,723
July 2012 YTD	**$ 9,764,680**	**$ 884,645**	**$ 8,880,035**

9%

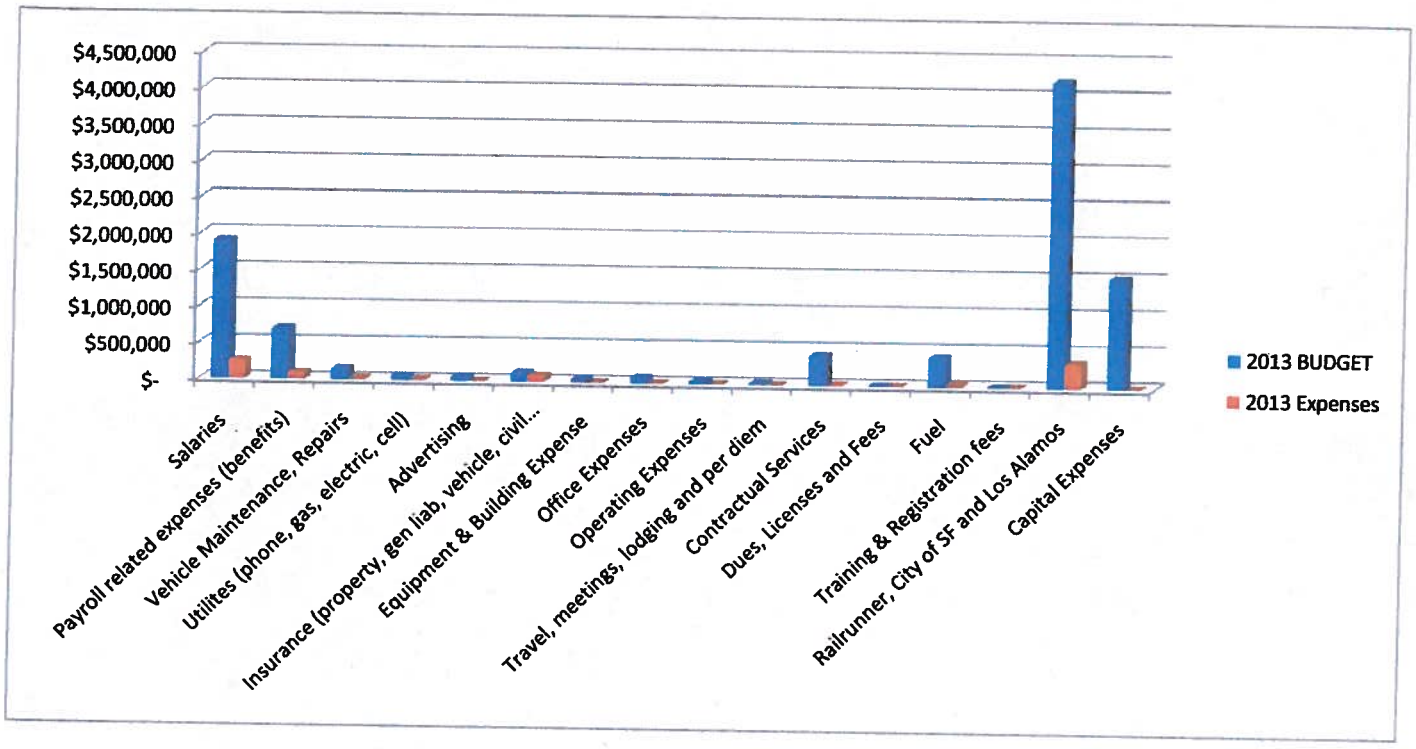
TOTAL NCRTD Budget

MONTHLY BOARD REPORT

FY2013 (July 1, 2021 to June 30, 2013)

NCRTD Expenses by Type

August 31, 2012



Comparative Expenses by Type

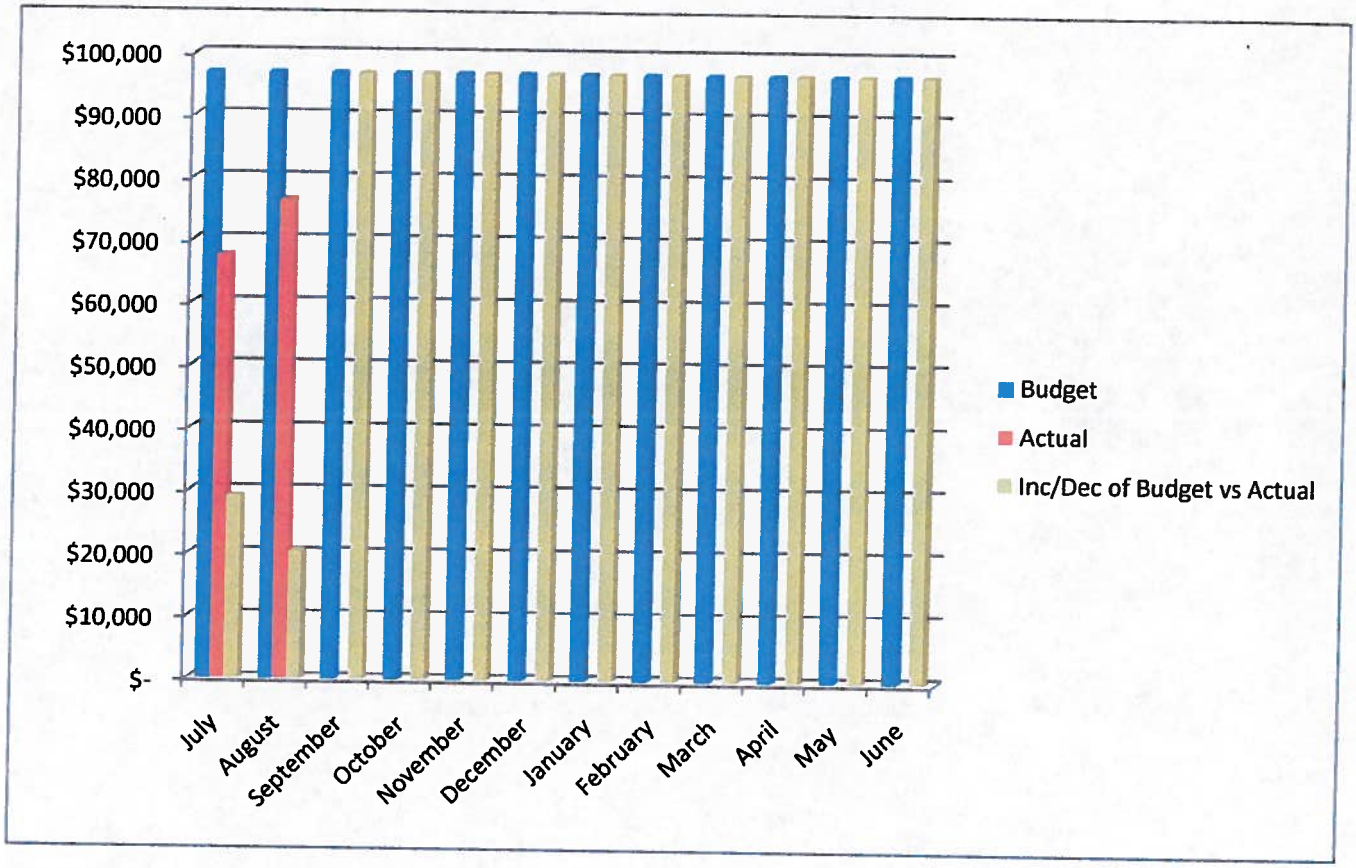
	2013 BUDGET	2013 Expenses	YTD Budget Variance -8%
	$	$	
Salaries	$ 1,903,838	$ 254,464	13.4%
Payroll related expenses (benefits)	$ 696,278	$ 91,086	13.1%
Vehicle Maintenance, Repairs	$ 159,000	$ 23,234	14.6%
Utilites (phone, gas, electric, cell)	$ 65,332	$ 21,951	33.6%
Advertising	$ 61,350	$ 2,512	4.1%
Insurance (property, gen liab, vehicle, civil rights)	$ 130,000	$ 85,829	66.0%
Equipment & Building Expense	$ 38,900	$ -	0.0%
Office Expenses	$ 81,765	$ 8,515	10.4%
Operating Expenses	$ 37,400	$ 1,942	5.2%
Travel, meetings, lodging and per diem	$ 23,811	$ 2,640	11.1%
Contractual Services	$ 421,300	$ 14,134	3.4%
Dues, Licenses and Fees	$ 6,600	$ 5,032	76.2%
Fuel	$ 408,600	$ 31,535	7.7%
Training & Registration fees	$ 9,900	$ -	0.0%
Railrunner, City of SF and Los Alamos	$ 4,208,280	$ 341,772	8.1%
Capital Expenses	$ 1,512,326	$ -	0.0%
TOTAL	$ 9,764,680	$ 884,645	9.1%

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Administration Expense Summary

Year to Date Budget Variance - 8%



Budget to Actual FY2013
($ thousands)

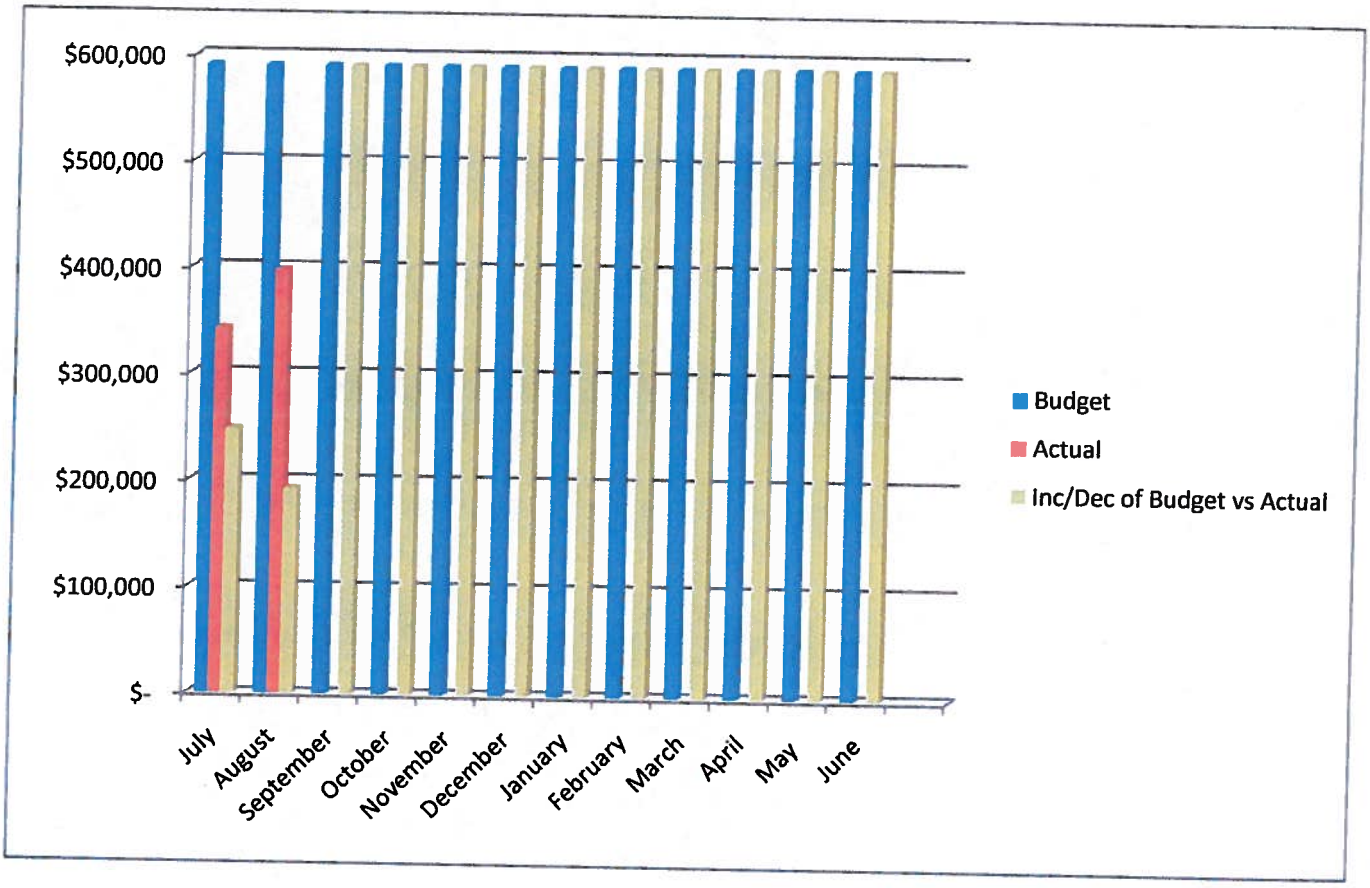
	Budget	Actual	Inc/Dec of Budget vs Actual	YTD Budget Variance - 8%
July	$ 96,949	$ 67,753	$ 29,196	
August	$ 96,949	$ 76,556	$ 20,393	
September	$ 96,949		$ 96,949	
October	$ 96,949		$ 96,949	
November	$ 96,949		$ 96,949	
December	$ 96,949		$ 96,949	
January	$ 96,949		$ 96,949	
February	$ 96,949		$ 96,949	
March	$ 96,949		$ 96,949	
April	$ 96,949		$ 96,949	
May	$ 96,949		$ 96,949	
June	$ 96,949		$ 96,949	
July 2012 YTD	**$ 1,163,388**	**$ 144,309**		**12.4%**

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Operating Expense Summary

Year to Date Budget Variance - 8%



Budget to Actual FY2013
($ thousands)

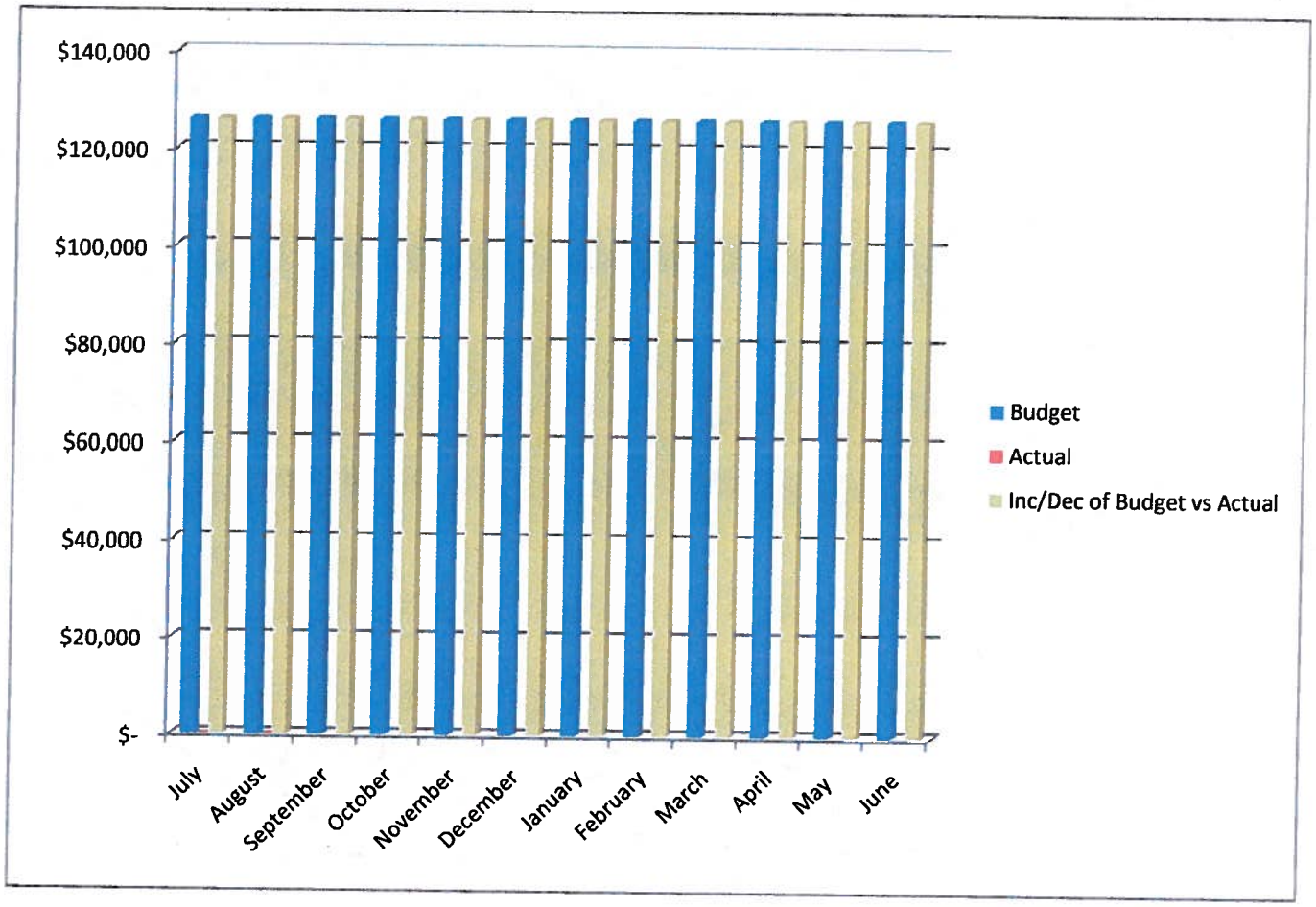
	Budget	Actual	Inc/Dec of Budget vs Actual	YTD Budget Variance - 17%
July	$ 590,747	$ 342,538	$ 248,209	
August	$ 590,747	$ 397,798	$ 192,949	
September	$ 590,747		$ 590,747	
October	$ 590,747		$ 590,747	
November	$ 590,747		$ 590,747	
December	$ 590,747		$ 590,747	
January	$ 590,747		$ 590,747	
February	$ 590,747		$ 590,747	
March	$ 590,747		$ 590,747	
April	$ 590,747		$ 590,747	
May	$ 590,747		$ 590,747	
June	$ 590,747		590,747.17	
July 2012 YTD	**$ 7,088,966**	**$ 740,336**		**10.4%**

MONTHLY BOARD REPORT

FY2013 (July 1, 2012 to June 30, 2013)

Capital Expense Summary

Year to Date Budget Variance - 17%



Budget to Actual FY2013
($ thousands)

	Budget	Actual	Inc/Dec of Budget vs Actual	YTD Budget Variance - 8%
July	$ 126,027	$ -	$ 126,027	
August	$ 126,027	$ -	$ 126,027	
September	$ 126,027		$ 126,027	
October	$ 126,027		$ 126,027	
November	$ 126,027		$ 126,027	
December	$ 126,027		$ 126,027	
January	$ 126,027		$ 126,027	
February	$ 126,027		$ 126,027	
March	$ 126,027		$ 126,027	
April	$ 126,027		$ 126,027	
May	$ 126,027		$ 126,027	
June	$ 126,027		$ 126,027	
July 2012 YTD	**$ 1,512,326**	**$ -**		**0.0%**

EXECUTIVE REPORT
For September 2012

EXECUTIVE

- JW Transit dedication and ribbon cutting was held on August 17, 2012. Months prior to event a staff team was assembled consisting of PIO, Executive Assistant and Executive Director with ancillary input by Transit Operations and Maintenance Manager to help plan and coordinate the event.
- Met with Senator Wirth and Senator Rodriquez regarding the RTD and future needs.
- Continued to addressa variety of issues related to new building punch list and resolution of final payment issues.
- Commenced negotiations with Teamsters Union and exchanged draft proposals regarding non-economic issues.
- Met with legal counsel regarding a variety of issues related to personnel, contracts and future policy modifications.
- Drafted and sent funding request release letter to LAC.
- Met with Tesuque Staff to finalize a new agreement regarding tribal funding and drawdown of funds.
- Discussed commencement of FY 12 Audit with Auditors and Finance Manager.
- Conducted new employee orientation.
- Met with Executive Committee and Subcommittee Chairs regarding Executive Director's annual review and proposed annual goals.
- Participated in General Services Insurance training.
- Updated existing property insurance coverage to address new building and fixtures coverage.
- Continued drafting of revised procurement policy.
- Attended Rio Metro Board Meeting representing the District as an Ex Officio Member.
- Met with representatives of Positive Energy and Commissioner Holian regarding solar electrical generation.
- Met weekly with Board Chair Barrone on various issues.
- Continued revision and creation of various NCRTD policies.
- Continued with the Facilities Maintenance Specialist recruitment.
- Recruitment and selection process for Financial Specialist position.
- Created and put together materials for theBoard's September meeting.
- Created materials for the Finance Sub-Committee August meeting.
- Maintained continuous communication with board members, subcommittee members, and Chair.
- Attended Santa Fe MPO Technical Coordinating Committee meeting.

- Attendance at various NCRTD staff and subcommittee meetings, including Board, Finance and Tribal subcommittees meeting.
- Addressed a variety of employee human resources issues.
- Board Attendance Report from April 2011 – April 2012 (attachment).
- FTA-FMO report (attachment).
- Request for consideration of legislative change to current state law that describes method for distribution of Transit GRT to RTD's.

Service Development:

- Completed grant applications for FFY 2014.
- Completed a draft RFP for the Service Plan update.
- Worked with Contractor for placement of bus stop signs.
- Developed a matrix of what routes and stops need signs, shelters, trash cans and/or schedule holders.
- Attended a meeting with Mike Kelly with Los Alamos staff about collaborative purchase of AVL software.
- Worked on information for Free Fare Resolution and board discussion.
- Completed matrix of existing Service Plan recommendations regarding status.

Public Information:

- Interviewed by EcoSource Magazine, Dawn Ferver.
- Interviewed live on KSWV-AM Santa Fe by Pat Gonzales.
- Wrote and disseminated press release on FY2012 increased ridership numbers.
- Wrote and disseminated Rider Alert and Press Release on Labor Day Closure.
- Organized and participated in August 30 Española Community Resource and Job Fair along with Mike Kelly, hosted by the Española Chamber of Commerce and SL Start New Mexico Works.
- Created employee guidelines document for the new building.
- Sent out formal invite to Jim West building dedication.
- Prepared and distributed media kit for Jim West building dedication that included press release, NCRTD fact sheet, copy of Board Resolution 2009-17 declaring new facility as the Jim West Regional Transit Center, and list of NCRTD Board of Directors.
- Worked to organize activities for building dedication event on August 17.
- Stories have appeared to date in the Rio Grande Sun, Los Alamos Monitor, KOB-TV online, Mass Transit Magazine, Silobreaker, AmericanTowns.com, USBusStation.com, Jemez News, Topix newswire for Los Alamos, Santa Fe, Taos and Española, Regator.com (an online transit blog). Anticipating stories in the APTA magazine Passenger Transport and Taos News.
- Worked with Rio Grande Sun for story on building dedication that ran on Thursday, August 16.
- Worked with Los Alamos Monitor for a series of stories that ran in the August 19 issue.
- Distributed photo and caption of ribbon cutting to local media outlets.
- Attended AARP Regional Transit conference in Taos at which Linda Trujillo presented.
- Ongoing clean up and development of NCRTD website.

- Handled 7 online inquiries from the NCRTD website.
- Met with LyAnn Vigil, ad rep for Rio Grande Sun.
- Wrote Rider Alert and posted on website notice of Rail Runner Santa Fe cancellation for Friday, August 17.
- Full page, four color ad ran on page 3 in the Taos News special, glossy pullout booklet celebrating the New Mexico Centennial.
- Attended August 3 board meeting, presented Record and Email Retention Policy, adopted.
- Ad appeared in Chama Valley Times.
- Newly re-designed ad appeared in Green Fire Times.

Operations:

- Participated with Executive Director in weekly Union Negotiations.
- Proceeded with the teamwork and logistics in making a successful move of offices in Santa Fe, Taos and 2 in Espanola to the new Jim West Transfer Center.
- Participated in FTA/NMDOT district review.
- Participated in Drug and Alcohol records review by Precision Compliance.
- Represented the NCRTD with a presentation to the Chama Rotary Club.
- The Service Development Manager and I met with Los Alamos' transit department to discuss a joint procurement of dispatch software with AVL components, utilizing Federal grant funds.
- Responded to Rio Metro's request with 3 buses after hours, when Rail Runner Bridge was damaged by high waters.
- Met with NMDOT and Precision Compliance for a Technical Site Review.
- Received bids for janitorial services for the new transit facility.

U.S. Department
of Transportation
**Federal Transit
Administration**

REGION VI
Arkansas, Louisiana,
New Mexico, Oklahoma,
Texas

819 Taylor St. Suite 8A36
Fort Worth, TX 76102
817-978-0550
817-978-0575 (fax)

August 1, 2012

Anthony J. Mortillaro, Executive Director
North Central Regional Transit District
3600 Rodeo Lane Ste B-6
Santa Fe, NM 87507

Re: FMO Review Final Report

Dear Mr. Mortillaro:

The Federal Transit Administration's (FTA) Financial Management Oversight (FMO) contractors, Financial Business Solutions, LLC with Holmes+Company, LLC, have completed the enclosed FMO Final Report for their review of North Central Regional Transit District (NCRTD).

The Final Report has incorporated NCRTD's responses to the Draft Report, which have closed two Material Weaknesses and eleven Significant Deficiencies. Material Weakness' #4, and #5; and Significant Deficiencies #1 and #13 require additional information in order to finalize the closeout of these findings. The report gives details of each finding as well as information to complete the corrective actions.

The corrective actions for Material Weakness' #4, and #5 should be implemented and supporting documentation submitted to FTA by **September 1, 2012.** Although the corrective actions for Significant Deficiencies #1 and #13 are not due until October 30, 2012, FTA is requesting NCRTD provide a status report on these corrective actions by **September 1, 2012.** FTA is also asking for a copy of NCRTD's revised Procurement Policies and Procedures once they are approved in August 2012.

The two Advisory Comments did not require corrective actions; however, the FTA appreciates NCRTD's positive responses to these suggestions.

The FTA wishes to thank you for the cooperation provided by you and your staff. If you have any questions or comments on this matter, please feel free to phone Gail Lyssy, Director of Program Management & Oversight, or Abel Ayala, Program Management Specialist, at (817) 978-0550.

Sincerely,

Robert C. Patrick
Regional Administrator

Enclosures
cc: Kelly Muniz, Financial Manager, NCRTD (w/enclosure)
cc: Commissioner Daniel R. Barrone, Taos County, 105 Albright Street, Suite G, Taos, NM 87571 (w/enclosure)
cc: Frank J. Sharpless, Bureau Chief, Transit & Rail Bureau, PO Box 1149, Santa Fe, NM 87504 (w/enclosure)
cc: David Harris, Transit Manager, Transit & Rail Bureau, PO Box 1149, Santa Fe, NM 87504 (w/enclosure)
cc: Amy Jernigan, TPM-1 (w/o enclosure)

FINANCIAL MANAGEMENT OVERSIGHT REVIEW

Full Scope Systems Review

of

North Central Regional Transit District

PERFORMED FOR

U.S. DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION

Prepared by

Financial Business Solutions, LLC with Holmes+Company, LLC

Under

CONTRACT NUMBER: DTFT60-10-D-00003

TASK ORDER NUMBER: T11003

Report Date: March 8, 2012

Final Report Submission Date: July 3, 2012

U.S. Department Of Transportation
Federal Transit Administration

Financial Management Oversight Review

North Central Regional Transit District

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U.S. Department Of Transportation
Federal Transit Administration

Financial Management Oversight Review

North Central Regional Transit District

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Report of Independent Accountants

HOLMES
driven by results

HOLMES COMPANY, LLC
Business Advisors and Certified Public Accountants

Report of Independent Accountants

To the Regional Administrator

Federal Transit Administration Region VI:

We understand that the Federal Transit Administration (FTA) has awarded North Central Regional Transit District (NCRTD) the grants listed in Section I of this report. We have examined the effectiveness of NCRTD's internal control over compliance with FTA financial management system requirements as of December 31, 2011, as set forth in Section VI of this report, based on 49 CFR Part 18 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule), Section 18.20, "Standards for Financial Management Systems." Management is responsible for maintaining effective internal control over NCRTD's compliance with FTA financial management system requirements. Our responsibility is to express an opinion on the effectiveness of management's internal control over compliance with FTA financial management system requirements based on our examination.

Our examination was conducted in accordance with Attestation Standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the financial management system, testing, and evaluating the design and operating effectiveness of the financial management system, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on NCRTD's compliance with FTA's financial management system requirements.

Because of inherent limitations in any internal control structure or financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As discussed in Section II of this report, our examination identified material weaknesses in NCRTD's internal controls over compliance with FTA financial management system requirements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NCRTD's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report of Independent Accountants (continued)

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, NCRTD has not maintained effective internal control over its compliance with FTA financial management system requirements as of March 8, 2012, based on the criteria established by the FTA as set forth in Section VI of the report.

Significant deficiencies are discussed in Section III of this report. Certain advisory comments regarding procedures that do not affect our opinion or impact the criteria cited in the first paragraph of this report are described in Section IV of this report.

Holmes & Company, LLC

March 8, 2012

Section I

Brief Description of North Central Regional Transit District

Background

Regional Transit Districts (RTDs) in New Mexico
In 2003, the New Mexico Legislature passed Senate Bill 34, the "Regional Transit District Act" (RTDA). This legislation authorized the creation of regional transit districts in the State of New Mexico and outlined their powers and duties.

In 2004, House Bill 231, "Regional Transit Gross Receipts Tax Imposition," was passed allowing for member municipalities and counties of an RTD to seek to increase Gross Receipts Tax (GRT) in those governmental units for regional transit district purposes. RTD Board in order to apply for and receive operational funding administered by NMDOT. NCRTD was certified by the NM State Transportation Commission on September 16, 2004. Their Board approved a Service Plan on July 7, 2006. NCRTD started operating service October 2006.

In 2007, House Bill 1265, County Regional Transit Gross Receipts, was passed and repealed the municipal transit gross receipts tax and streamlined the manner in which an increase to GRT for regional transit district purposes can be implemented. If a majority of the voters in the RTD approve a GRT ordinance, the ordinance becomes effective in accordance with the provisions of the County Local Option Gross Receipts Taxes Act.

As of April 2008, four RTDs have been certified in New Mexico. A service plan must be approved by the respective A 1/8th of 1 percent GRT ballot measure was approved by the voters on November 4, 2008. The GRT measure has a 15-year sunset and is set to expire June 30, 2024.

North Central Regional Transit District (NCRTD)
The role of the NCRTD is to coordinate, operate and contract for services in the north central New Mexico service area. There are Eleven (11) members in the NCRTD: The pueblos of Tesuque, Pojoaque, San Ildefonso, Santa Clara, and Ohkay Owingeh; the counties of Los Alamos, Taos, Rio Arriba and Santa Fe; and the cities of Española and Santa Fe.
Consolidated operation under the NCRTD began October 2007 blending the systems of the City of Española and Rio Arriba County and introducing enhanced connective routes from Taos County. The NCRTD now operates 20 fixed routes in the 4 counties of Los Alamos, Rio Arriba, Taos, and Santa Fe. Additionally demand response service is provided in Santa Fe, and Rio Arriba Counties.

Hours of Operation: M-F 5:00 a.m. to 7:00 p.m. - Taos Commuter;
M-F 5:15 a.m. to 7:15 p.m. - all other routes including demand response.
Fares: Free on fixed route; Vehicles in Fleet: 42; Ridership: 166,791.

Active FTA Grants

The following is a list of NCRTD's active FTA Grants as of December 31, 2011

Grant Number	Grant Title	Grant Amount	Expenditures 12/31/2011
NM-04-0005-00	Capital Grant	$445,000	$352,073
NM-04-0015-00	Capital Grant	$475,000	$129,167

Section II

Material Weaknesses

Material Weaknesses

For purposes of this examination, a material weakness is a significant deficiency, or combination of significant deficiencies, in the design or operation of one or more components of the financial management system that results in more than a remote likelihood that a material misstatement will not be prevented or detected by management or employees in the normal course of performing their assigned functions.

The conditions and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the Grantee's proposed corrective actions and evaluation thereof.

Material Weaknesses

1. No Ethics/Conflict of Interest Policy Covering Employees

Condition

No conflict of interest statement or policy exists for employees other than for the Board of Directors' By- Laws and the Investment Policy.

Standard Impacted

49 CFR, 18.36(b) (3) *Procurement Standards*. "Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved."

Circular 4220.1F, Chapter III, Section (1) Written Standards of Conduct. The Common Grant Rules require each recipient to maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contracts.
a. Personal Conflicts of Interest. As provided in the Common Grant Rules and the Federal Transit Administration (FTA) Master Agreement, no employee, officer, agent, or board member, or his or her immediate family member, partner, or organization that employs or is about to employ any of the foregoing may participate in the selection, award, or administration of a contract supported with FTA assistance if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of those previously listed has a financial or other interest in the firm selected for award.

b. Gifts. The recipient's officers, employees, agents or board members may neither solicit nor accept gifts, gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to subagreements. The recipient may set minimum rules when the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value.

Recommendation

NCRTD should adopt a conflict of interest policy to distribute to employees and obtain acknowledgement that anyone associated with the procurement process has reviewed the policy on a periodic basis.

This recommendation should be implemented within 30 days from the date of this report.

Discussion

There is no mechanism for informing employees of conflict of interest restrictions or reporting requirements. In addition, there is no whistle blower policy or any method for employees to report suspected improprieties.

Material Weaknesses

Summary of Grantee's Response

The NCRTD is updating their Personnel Policies and Procurement Rules. They plan to present them to the Board of Directors this summer for their approval. These documents will contain an Ethics/Conflict of Interest Policy statement.

The employees will be required to attest to receiving the new Personnel Policies and Procurement Rules and abiding by them.

Evaluation of Grantee's Response

Grantee's response is adequate.

Material Weaknesses

2. Incomplete Procurement Records for Major Purchases

Condition

NCRTD's procurement documentation maintained on file for purchases greater than $25,000 inadequately addresses the record keeping requirements specified by the FTA.

Standard Impacted

49 CFR, 18.20(b) (6) *Source Documentation.* "Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents."

Circular 4220.1F, Chapter III, Section 3d (1) Procurement History. The Common Grant Rules require the recipient to maintain and make available to FTA written records detailing the history of each procurement, as follows: (a) Procurement Method; (b) Contract Type; (c) Contractor Selection; and (d) Cost or Price.

Recommendation

NCRTD should establish procedures to ensure that all required information is documented and maintained in the procurement file. NCRTD must exercise great care to ensure that procurement files for contracts that are federally funded are complete and available for audit for the required record retention period. If information is removed from a completed procurement file, procedures must be in place to document the individual responsible for the document and its location.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

During our review, NCRTD was unable to locate and provide several items of documentation that are critical components of a complete procurement file for two contracts. NCRTD's procurement process does not provide consistent or adequate documentation procedures and practices. Various documents pertaining to a transaction were kept in several places and current employees are generally unaware where or how to assemble a complete set of documents that meet FTA procurement requirements. For example, large awards such as the Admin Facility construction that was awarded to the Stoven Construction Company had no documentation indicating; a) the required advertisement or b) the DBE or Minority bidding participation. In addition to these documents, for contracts issued to Northern New Mexico Builders, who were awarded the contracts for bus shelter installations, the Grantee could not produce a bid analysis sheet or an independent cost estimate.

Material Weaknesses

Grantee's Response

The NCRTD is in the process of updating a procurement policy and accompanying these updated policies there will be specific direction for staff on what processes need to be followed.

The procurement policies should be presented to the Board of Directors in August for their approval.

Due to the small size of the NCRTD, the District does not have a procurement staff assigned these duties. The Executive Director is considering a reorganization that will provided for consolidation of procurement responsibilities.

Evaluation of Grantee's Response

The grantee's response is adequate in that it is in the process of updating its procurement policy and the processes needed to be followed by staff in order to maintain a proper file. In addition, the grantee is considering a reorganization of staff responsibilities to become more efficient with procurement procedures.

Material Weaknesses

3. Inadequate Control over the ECHO Drawdown Process

Condition

One individual is responsible for the entire ECHO drawdown process. Thus, there is no review and approval of supporting records to ensure compliance with Federal guidelines.

Standard Impacted

49 CFR, 18.20(b) (2) *Accounting Records*. "Grantees and sub grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system.

Circular 5010.1D, Chapter VI, Section 2(d) (5) states, "The following objectives and standards facilitate the grantee's use of internal controls: Adoption of internal control policies, plans and procedures that reasonably ensure their effectiveness, such as organizational separation of duties."

Circular 5010.1D, Chapter VI, Section 9(c), Policy for ECHO Payments. "If payment is made under ECHO, by means of an ECHO Control Number (ECN), the grantee agrees to comply with the requirements of 49 CFR 18.21 and 19.22, and 31 CFR part 205, and as described in FTA's ECHO System User Manual for Grantees."
Disbursement guidelines are in accordance with policies established in Department of Treasury Circular 1075, part 205, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs," and by FTA financing agreements. These guidelines state that the recipient organization shall commit itself to:

(1) Initiating cash drawdowns for immediate disbursement needs meaning three business days. Excess Federal funds held more than three days must be returned to FTA along with any interest earned. See Chapter VI, Subsection 9.e., "Repayment to FTA," below for detailed information on requirements to remit interest.
(3) Timely reporting of cash disbursements and balances as required by the Federal program which is FTA.

Recommendation

NCRTD must ensure that adequate segregation of duties exists over the preparation, review and approval, submission, and recording of ECHO drawdowns to reduce the risk of error or unauthorized drawdowns.

This recommendation should be implemented within 60 days from the date of this report.

Material Weaknesses

Discussion

We noted that ECHO drawdowns are initiated, authorized, and transmitted by the Financial Manager, and there is no log of drawdowns maintained to reconcile the activity in the bank account, the general ledger and in TEAM. The same individual also maintains the supporting documentation used to prepare the ECHO drawdown. Reliance on one individual to carry out the entire ECHO drawdown process increases the likelihood that transactions may not be submitted or recorded timely and errors could go undetected.

Summary of Grantee's Response

A reconciliation/approval form has been developed. The process involves the Financial Manager compiling all payment packets for the grants that a reimbursement request is being processed for. The Financial Manager will then complete the reconciliation/approval form and attaches all the documentation (payment packs, reports from Accounting Software) to confirm the amount being requested for reimbursement is correct. The Executive Director then reviews and approves the drawdown request.

Evaluation of Grantee's Response

The Grantee's response is adequate if the process is implemented as described above and followed on a consistent basis.

Material Weaknesses

4. No Documented FFR Preparation and Review Process

Condition

FFR filings have contained incomplete and inaccurate information, as well as not being filed timely.

Standard Impacted

49 CFR, 18.20(b) (1) *Financial Reporting.* "Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR, 18.20(b) (2) *Accounting Records.* "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system.

Circular 5010.1D, Chapter III, Section 3(b) Financial Status Report (FSR). "A grantee must submit an FSR for each active/executed grant. The requirement for an FSR applies to all FTA grants covered by this circular. The FSR accompanies the Milestone Progress Report (MPR) and is used to monitor project funds. The purpose of the FSR is to provide a current, complete, and accurate financial picture of the grant. This report is submitted electronically in TEAM and must be prepared on the accrual basis of accounting; that is, income is recorded when earned instead of when received, and expenses are recorded when incurred instead of when paid. FTA does not allow the FSR to be prepared in the cash method of accounting. A grantee may keep its books on the cash basis during its accounting year. If this is the case, at the submission of the FSR, the grantee must prepare the necessary accruals and submit the FSR on the accrual basis of accounting."

Circular 5010.1D, Chapter VI, Section 2(e) (1) (e) states, "Written operating procedures must exist and be simply stated, yet meet the grantee's operating, legal, and regulatory." requirements.

Recommendation

NCRTD should develop and implement a comprehensive procedure covering preparation, review, and filing of the FFR.

This recommendation should be implemented within 60 days from the date of this report.

Material Weaknesses

Discussion

During our review of selected FFR's, we noted that on grant NM 04 0005 the participants share was left blank. In addition, NCRTD has been reporting on the cash basis, they are not reporting encumbrances and some filings have been late. Finally, there was no clear record of amounts expended and available under each grant.

Summary of Grantee's Response

No response was provided by the grantee for this finding.

Evaluation of Grantee's Response

No response provided to evaluate.

Material Weaknesses

5. Inadequate Accounts Payable Processing Procedures

Condition

Verification of receipt of goods and services, matching Purchase Order (PO) information to the invoice, and other invoice review procedures employed are not clearly indicated on invoices.

Standard Impacted

49 CFR, 18.20(b) (2) Accounting Records. "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system

49 CFR, 18.20(b) (3) *Internal Control*. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

Recommendation

NCRTD should develop and implement a voucher checklist, which clearly indicates responsibility and completion of applicable review functions.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

Many invoices/supporting documents provide no clear indication of matching invoices and receiving reports to the PO, verification of quantity or services received, and invoice review functions being performed. In addition, information such as contract or vendor number and purchase requisitions was not included in the various disbursement records. Our review of check disbursements (cash journal) noted two (2) duplicate entries. Based on our discussion with the Financial Manager, this sometimes happens due to different funding sources. But for those that are actual errors and subsequently paid twice, the company is contacted for reimbursement of funds.

Material Weaknesses

Grantee's Response

The NCRTD does not use the 3-part PO process and with limited staff it is unlikely that such a process will be implemented. However, the Finance Manager will review the current process and develop procedures to the extent feasible that may satisfy the FTA requirement but not result in additional staffing costs that are unwarranted at this time.

Evaluation of Grantee's Response

The grantee's response is inadequate, as it fails to offer any corrective action plan to address the recommendation.

Section III

Significant Deficiencies

Significant Deficiencies

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

These conditions and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the Grantee's proposed corrective actions and evaluations thereof.

Significant Deficiencies

1. **No Documented NTD Preparation and Review Process**

Condition

Documentation supporting service data is accumulated manually by one individual and financial data is not reviewed by the Financial Manager.

Standard Impacted

49 CFR, 18.20(b) (1) *Financial Reporting*. "Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

Circular 5010.1D, Chapter VI, Section 2(e) (1) (e) states, "Written operating procedures must exist and be simply stated, yet meet the grantee's operating, legal, and regulatory." requirements.

Recommendation

NCRTD should develop and implement comprehensive procedures covering preparation, review, and filing the NTD.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

During our review, we noted that the preparation of the NTD lacked coordination between the Service Development Manager and the Financial Manager. In addition there was no review process before it was submitted to the FTA nor was there any supporting documentation included in the most recent filing.

Summary of Grantee's Response

The Financial Manager and the Service Development Manager will be working on procedures for the NTD reporting. Currently the NCRTD does not have any staff member assigned to grant assignments, the work is bifurcated and several staff has responsibility for different portions of the process. The procedure will clearly state what staff position handles what part of the reporting and the final step will be the Executive Director who will approve the reports prior to being submitted to the proper entity.

Evaluation of Grantee's Response

The grantee's response is inadequate. The response does not provide a specific roadmap addressing our recommendation in the corrective action plan.

Significant Deficiencies

2. Fixed Assets Inventory Procedures not Adequate

Condition

Fixed asset inventory is not independently verified by a person other than the individual counting the inventory.

Standard Impacted

49 CFR, 18.20(b) (3) *Internal Control*. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets.

Circular 5010.1D, Chapter VI, Section 2(d) (5) states, "The following objectives and standards facilitate the grantee's use of internal controls: Adoption of internal control policies, plans and procedures that reasonably ensure their effectiveness, such as organizational separation of duties."

Circular 5010.1D, Chapter IV, Section 3(k) (5) states, "A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of project property. Any loss, damage, or theft must be investigated and documented by the grantee."

Recommendation

NCRTD should supplement inventory procedures to require that the count be verified by someone other than the custodian taking the count, as well as the person responsible for making any necessary adjustments to the general ledger.

This recommendation should be implemented within 60 days from the date of this report.

Discussion

The most recent inventory count sheets by custodians were not reviewed or approved by an individual other than the one physically counting the inventory.

Significant Deficiencies

Summary of Grantee's Response

The NCRTD is in the process of implementing a fixed asset module as part of the accounting software. The NCRTD is also in the process of creating an inventory/fixed asset policy and procedures. This policy will provide guidance on the required submittals when fixed assets or inventory items are purchased and how to account for transfers between staff and the disposal process.

With respect to NCRTD not having a second person verifying inventory; this process has been changed by the NCRTD. The next inventory count is due by June 30, 2012 and every employee will verify their inventory, and an independent staff person will also verify the inventory. All inventory sheets will be submitted to Finance who will then review the inventory lists as well and the Executive Director will review and sign the "Inventory Certification" form that is required by the state auditors.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

3. Preventive Maintenance not Performed Timely

Condition

Preventive maintenance (PM) work is not being performed within the stated intervals in the maintenance plan.

Standards Impacted

49 CFR, 18.20(b) (3) *Internal Control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets.

Circular 5010.1D, Chapter IV, Section 3 (m) Maintenance. The grantee agrees to maintain project property in good operating order and in compliance with any applicable Federal regulations or directives that may be issued, except to the extent that FTA determines otherwise in writing. The grantee agrees to keep satisfactory records pertaining to the use of project property, and to submit to FTA upon request such information as may be required to assure compliance with Federal requirements. The grantee is required to have a written vehicle maintenance plan and facility/equipment maintenance plan. These plans should describe a system of periodic inspections and preventive maintenance to be performed at certain defined intervals.

Recommendation

NCRTD should enhance scheduling procedures to ensure that planned PM intervals are not missed.

This recommendation should be implemented within 90 days from the date of this report.

Discussion

During our review, we noted that the maintenance manual for NCRTD provided for scheduled maintenance in intervals of 5000 miles. Based on testing of several intervals on five FTA funded vehicles, only 73% (8 of 11) of the PM's were performed on time.

Significant Deficiencies

Summary of Grantee's Response

The grantee plans to revise the Fleet Maintenance Program, Pages 4 & 5, Preventative Maintenance Management: Standard Operating Procedures;

Types of Services identified and "A,B,C,D,E,F,G" Services i.e.

Interval	Associated Service
5,000	"A" Service Engine oil and filter service, tire rotation and multi-point inspection
15,000	"B" Service replace fuel filter/air filter
50,000	"C" Service transmission fluid and filter service
100,000	"D" Service power steering fluid/filter service
120,000	"E" Service diesel particulate filter
150,000	"F" Service anti-freeze/coolant service
200,000	"G" Service rear axle

Revision of Fleet Management Program, Page 17, Preventative Maintenance Management: Standard Operating Procedures;

Item 2, each driver records beginning, ending and total mileage for the route on that day's Vehicle Pre-Trip Inspection form.

Item 4, each day, maintenance staff reviews prior day's ending mileage on Vehicle Pre-Trip Inspection for each vehicle and records it on the fleet inventory service board, and prepares Service Repair Work Orders to schedule services for each vehicle on or before the service due mileage. Work is scheduled in-house or out-sourced as needed to meet the maintenance deadlines and intervals.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

4. No Dispute Resolution Policy

Condition

NCRTD does not have a specific policy for handling pre-award and post-award disputes.

Standard Impacted

Circular 4220.1F, Chapter VII, Section (1) a (1) Protest Procedures. Apart from other methods the recipient may have to resolve third party contract issues, such as mediation or arbitration, the Common Grant Rule for governmental recipients requires the recipient to have protest procedures. While the Common Grant Rule for non-governmental recipients does not impose a similar requirement on a non-governmental recipient, FTA expects each recipient to have appropriate written protest procedures, as part of its requirement to maintain or acquire adequate technical capacity to implement the project.

Recommendation

NCRTD should establish and implement a policy outlining pre-award and post-award protest procedures for resolving disputes related to the procurement process and contract administration.

This recommendation should be implemented within 90 days from the date of this report.

Discussion

During our review and discussion with the Financial Manager, NCRTD has experienced no disputes nor does it have a vendor dispute process. A clear understanding by vendor as well as NCRTD of how issues are to be reported, analyzed, appealed, and reported is necessary to avoid potential dispute conflicts.

Grantee's Response

The NCRTD is currently working on updating its procurement policies. The dispute resolution will be part of this policy.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

5. Construction Problems and Change Orders not Reported to the FTA

Condition

Construction at the new Administration Building has encountered several problems, which have resulted in change orders without notifications to the FTA.

Standard Impacted

49 CFR, 18.20(b) (1) *Financial Reporting*. "Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR, 18.30 *Project Change Accounting*. The grantee's project financial accounting systems must be able to document and track project changes that result in the need for additional funds, a revision in the scope or objectives of the project, or a need to extend the period of availability of funds or any other changes or budgetary transfers which would require the prior written approval of FTA.

Circular 5010.1D, Chapter III, Section (3) (c) Milestone/Progress Reports. The MPR must be submitted for all active/executed grants. The requirement for a MPR applies to all FTA grants covered by this circular. The MPR is the primary written communication between the grantee and FTA. This report should be submitted electronically in TEAM. If only operating assistance is included in the grant, the reporting requirements are limited to the estimated and actual dates when all funding has been expended. Each MPR must include the following data as appropriate:
(1) Current status of each open ALI within the active/executed grant.
(2) A narrative description of projects, status, any problems encountered in implementation, specification preparation, bid solicitation, resolution of protests, and contract awards.
(3) Detailed discussion of all budget or schedule changes.
(4) The dates of expected or actual requests for bid, delivery, etc.
(5) Actual completion dates for completed milestones.
(6) Revised estimated completion dates when original estimated completion dates are not met.
(7) Explanation of why scheduled milestones or completion dates were not met.
Identification of problem areas and narrative on how the problems will be solved. Discussion of the expected impacts and the efforts to recover from the delays.
(8) Analysis of significant project cost variances. Completion and acceptance of equipment and construction or other work should be discussed, together with a breakout of the costs incurred and those costs required to complete the project. Use quantitative measures, such as hours worked, sections completed, or units delivered.
(9) A list of all outstanding claims exceeding $100,000, and all claims settled during the reporting period. This list should be accompanied by a brief description, estimated costs, and the reasons for the claims.

Significant Deficiencies

(10) A list of all potential and executed change orders and amounts exceeding $100,000, pending or settled, during the reporting period. This list should be accompanied by a brief description.

Recommendation

NCRTD should adopt procedures to adequately report the ongoing status of construction projects including potential change orders to the FTA.

This recommendation should be implemented within 30 days from the date of this report.

Discussion

On the new Admin Building project, NCRTD approved a change order and increase in the budget for $250,000 to cover pavement of the access road to NCRTD property; base course implementation to reduce stresses from buses for the bus storage area; board room divider; wire mesh for security purposes; and funds earmarked for small change orders. Further required changes related to an excessive moisture problem and change to the elevation at the south east corner of the drainage channel are currently estimated to be $400,000. Although these costs are expected to be paid from the Grantee's local funds such as the Gross Receipts Tax (GRT) and Los Alamos Contribution, no communication/reporting of these issues has been provided to the FTA.

Summary of Grantee's Response

The change orders incurred to date will be reported to the FTA.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

6. Cash Account Reconciliation Process not Complete

Condition

Cash accounts between book and bank balances have not been reconciled.

Standard Impacted

49 CFR, 18.20(b) (1) *Financial Reporting*. "Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR, 18.20(b) (3) *Internal Control*. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets."

Circular 5010.1D, Chapter VI, Section 2 (a) Internal Controls. "Internal controls are the organization plan, methods, and procedures adopted by the grantee to ensure that effective control and accountability is maintained for all grants and subgrants, cash, real and personal property, and other assets. Grantees and subgrantees must ensure that resources are properly used and safeguarded, and that they are used solely for authorized purposes.

Recommendation

NCRTD should perform a complete analysis of the entire difference between the general ledger and the balance as reflected on the bank statement.

This recommendation should be implemented within 30 days from the date of this report.

Discussion

Cash reconciliations are carrying an item labeled suspense which is basically unidentified differences from prior periods. This amount has been reduced from approximately $15,000 to approximately $10,000, but has not been fully researched and resolved.

Significant Deficiencies

Summary of Grantee's Response

The Financial Manager researched each item and has cleared the items from the "suspense tab" and corrected the entry; the un-reconciled difference is now $1,035.99. The Financial Manager is currently researching these items which appear to be related to entries from the financial software conversion that occurred in 2010. Staff will continue to research and correct this variance.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

7. Accounting Procedures Are Fragmented

Condition

Multiple accounting desk procedure documents exist for various functional areas of Finance; however, in the aggregate they do not represent a comprehensive Accounting Manual.

Standard Impacted

49 CFR 18.20(b) (1) *Financial Reporting* states, "Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

Circular 5010.1D, Chapter VI, Section 2(e) (1) (h) states, "All personnel must be properly qualified for their assigned responsibilities, duties, and functions. Education, training, experience, competence and integrity should be considered in assigning work. All must be held fully accountable for the proper discharge of their assignments."

Recommendation

NCRTD should identify required accounting controls and consolidate accounting procedures into a manual covering all aspects of recording and reporting financial information. We also recommend these procedures be kept current with documented version control indicating the specific areas that have changed and effective dates of those changes.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

We noted that areas of accounting such as accounts payable and payroll have several documents for individual activities within the aforementioned areas. These documents are in various levels of detail, but generally do not provide a complete description of the controls necessary for complete and accurate processing of each transaction cycle. Specifically, there is no procedure indicating the necessary steps involved in a formal closing process on a periodic basis. Such steps would include among other things, standard journal entries, accruals, account reconciliations, and reconciliation of general ledger control accounts to subsidiary records. In addition, the manual should identify required reports, due dates, and any unique preparation instructions.

Significant Deficiencies

Summary of Grantee's Response

The Financial Manager has been working with staff to create desk manuals. These desk manuals will be part of the NCRTD accounting manual. This accounting manual will encompass all aspects of the financial section and will have procedures and forms.

Evaluation of Grantee's Response

The grantee's response is adequate if the result is the development of a singular comprehensive accounting manual addressing all of the accounting processes.

Significant Deficiencies

8. Record Retention Policies are Incomplete

Condition

Record Retention Policies do not address the Common Rule Grant Requirements

Standard Impacted

49 CFR, 18.20(b) (2) *Accounting Records.* "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Circular 5010.1D, Chapter III, Section 7 (b) Length of Retention Period.
(1) Except as otherwise specified, records must be retained for three years from the starting date specified in Chapter III, Subsection 7.c., below.
c. Starting Date of Retention Period.
(1) General. The starting date for retention of records related to multi-year projects is the date of submission of the final FSR upon project completion or, if waived, the date it would have been due.
(2) Equipment Records. The three year retention period for the equipment records starts from the date of the equipment's disposition or replacement or transfer at FTA's direction.

Recommendation

NCRTD should develop and implement formal retention policies that specifically address FTA requirements.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

Per review and discussion with the Financial Manager, there is nothing in the Records and Email Retention Policy and Disposition Schedule identifying the time records must be maintained from the date a project is completed when a grant is closed out.

Significant Deficiencies

Grantee's Response

The NCRTD has recently hired a Public Information Officer who is currently reviewing the Record Retention Policy and has incorporated the FTA requirements. This policy amendment is being presented to the Board of Directors at its July meeting for approval.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

9. Data Fields in Fixed Asset Records are Missing

Condition

NCRTD's Asset Management record does not include the percentage of federal participation; grant project and title holder fields.

Standard Impacted

49 CFR 18.20(b) (3) *Internal Control* states, "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR §18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition use, or disposition of the property, and that maintenance procedures are implemented for such assets.

Circular 5010.1D, Chapter IV, Section 3(k) (3) states, "Equipment records must be maintained by the grantee." Records must include: (a) a description of the asset, (b) identification number, (c) source of property (the grant project number under which it was procured), (d) acquisition date, (e) cost, (f) percentage of Federal participation in the cost, (g) location, (k) who holds title to the equipment including rolling stock.

Circular 5010.1D, Chapter IV, Section 3(k) (5) states, "A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of project property. Any loss, damage, or theft must be investigated and documented by the grantee."

Recommendation

NCRTD should add the FTA required fields that are missing to its fixed asset record system.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

NCRTD uses a spreadsheet as its detailed fixed asset record. This record includes many, but not all of the FTA required fields. Although other documents/spreadsheets contain some of the missing information, it is difficult to identify assets on the primary spreadsheet with data on the additional spreadsheets. Thus, all the required information for each asset is not available in a readily accessible manner or in one document.

Significant Deficiencies

Summary of Grantee's Response

NCRTD feels this is duplicative of the comment contained with the FTA Reviewers comments pertaining to Fixed Assets Inventory Procedures not being Adequate. In their response to Significant Deficiency #2, the grantee indicated they are in the process of implementing a fixed asset module as part of the accounting software. The NCRTD is also in the process of creating an inventory/fixed asset policy and procedures.

Evaluation of Grantee's Response

The grantee's response is adequate. However, since no implementation date was identified, the grantee shall commit to a deadline for full completion and use of the Fixed Asset module within the recommended time frame.

Significant Deficiencies

10. Vendor Invoices Not Logged Upon Receipt

Condition

NCRTD does not require vendors to mail accounts payable invoices to the accounting department to be posted to the appropriate accounting ledger.

Standard Impacted

49 CFR, 18.20(b) (1) *Financial Reporting*. Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

49 CFR, 18.20(b) (2) Accounting Records. "Grantees and sub grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or sub grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system

Circular 5010.1D, Chapter VI, Section 2(d) (5) states, "The following objectives and standards facilitate the grantee's use of internal controls: Adoption of internal control policies, plans and procedures that reasonably ensure their effectiveness, such as organizational separation of duties."

Recommendation

Invoices for goods and services that require approval should be logged upon receipt before being routed for appropriate approvals. This would ensure that all expenditures would be included for purposes of proper reporting to FTA on an accrual basis.

This recommendation should be implemented within 120 days from the date of this report.

Significant Deficiencies

Discussion

During our review, we noted invoices for goods and services that cannot be processed by accounts payable through a "three way" match of the invoice to receiving reports and purchase orders are currently received directly by the personnel responsible for approval. These invoices may linger in the approving requisitioner's area for periods of time resulting in incurred expenses being unpaid and not accrued in the accounts payable ledger.

Summary of Grantee's Response

Once the NCRTD relocates to its new Transit Center, operations will be centralized. As a result, mail will be received at one location and will be opened and processed by the Executive Assistant. The Executive Assistant will create a log for her incoming mail and any invoices will be part of this.

Evaluation of Grantee's Response

Grantee's response is adequate.

Significant Deficiencies

11. Ineffective Actual to Budget Variance Analysis

Condition

Line item variances are addressed only when year to date expenditures exceed the annual budget amount.

Standard Impacted

49 CFR, 18.20(b) (4) *Budget Control.* "Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement"

Recommendation

NCRTD should develop variance analysis criteria sufficient to monitor performance and implement necessary action before line item budgets are exceeded.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

Budget line item variance analysis is limited to situations where the annual budget amount is exceeded. This approach does not provide for effective performance analysis on a timely basis.

Summary of Grantee's Response

The budget is a planning tool. The District carefully monitors federal grants differently due to their impact upon our overall budget and the District's accounting software tracks these as appropriate. District policy does not require that expenditures remain strictly within the budgeted line item amount, however the District does employ best practices and for the most part variances within budgeted line items are minimal. In addition, budgeted categories (Administration, Operating and Capital) within the budget are strictly adhered to unless adjusted by the Executive Director. The District does not by practice move budget between line items. By avoiding such a practice it allows the District to ascertain at the end of the year, when planning for the next year's budget what line items need to be researched and adjusted during the next budget cycle.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

12. Single Audit Findings Not Filed Timely

Condition

The Single Audit report for the year ended June 30, 2011, was filed with the Single Audit Clearinghouse (SAC) more than 30 days after the report was issued.

Standard Impacted

49 CFR, 18.20 (b) (1) *Financial Reporting*. Grantees must have procedures to provide reasonable *assurance that "accurate, current, and complete disclosure of the financial results of financially* assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

OMB Circular A-133, Section 320 (a) requires the audit shall be completed and submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Recommendation

NCRTD should establish a process to ensure that Single Audit findings are filed on a timely basis.

This recommendation should be implemented within 30 days from the date of this report.

Discussion

NCRTD's Single Audit report for the fiscal year ended June 30, 2011, was filed with the SAC on February 17, 2012 after being approved by the Board on January 6, 2012. Under OMB Circular A-133 requirements, submission of the report should have been no later than February 5, 2012.

Grantee's Response

The Financial Manager talked with its Auditors and they had the understanding that the Audit report had to be filed within 60 days of the audit being released by the State Auditor. As a result and if this had been correct the Audit was timely filed. In the future the Financial Manager will monitor and track this and work with the outside auditors to ensure it is filed as required by the FTA.

Evaluation of Grantee's Response

The grantee's response is adequate.

Significant Deficiencies

13. Insufficient Information Technology Physical and Application Access Security Controls

Condition

Physical security of the current Network Server location is inadequate and employees have access to more than one aspect of a transaction in the accounting system.

Standard Impacted

49 CFR, 18.20(b) (3) Internal Control. "Effective control and accountability must be maintained for all grant and sub grant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and sub grantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or sub grant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets

49 CFR, 18.20(b) (2) Accounting Records. "Grantees and sub grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or sub grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system

Circular 5010.1D, Chapter VI, Section 2(d) (5) states, "The following objectives and standards facilitate the grantee's use of internal controls: Adoption of internal control policies, plans and procedures that reasonably ensure their effectiveness, such as organizational separation of duties."

Recommendation

NCRTD should relocate the Network Server to a limited access area with appropriate security/protection controls and procedures.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

Although NCRTD recognizes that the current physical security over the server has numerous flaws, they are not expected to be address until they move to the new facility. Although logical security in terms of access to certain applications is influenced by the limited size of the accounting staff, all 3 personnel have edit capabilities in the Purchase Order (PO), Accounts Payable (AP), and Payroll modules of the Sage accounting system which does not represent optimal segregation of duties.

Significant Deficiencies

Summary of Grantee's Response

The access and security for the IT server will be addressed when the District relocates to its new Transit Center in July 2012.

With respect to the comments regarding controls over the accounting software, the Financial Manager is looking into this matter to ascertain how this comment can be addressed.

Evaluation of Grantee's Response

The grantee's response is inadequate, as no corrective action plan was submitted that completely addresses the recommendation above.

Section IV

Advisory Comments

Advisory Comments

For purposes of this review, an advisory comment represents a minor control deficiency in the design or operation of the financial management system that is not significant enough to adversely affect NCRTD's ability to record, process, summarize, and report financial and related data consistent with the requirements of 49 CFR 18.20.

The advisory comments presented in this section represent matters that came to our attention during the course of the review, and are offered to NCRTD's management as an opportunity for improvement. The advisory comments are provided along with recommendations and discussion of the significance of the comments.

Advisory Comments

1. Budget Policies/Procedures not Formalized with Underlying Assumptions Documented

Condition

Key assumptions underlying annual and multi-year budget proposals and submissions (e.g. increases/decreases in ridership, fuel costs, wage agreements/rates etc.) are not documented.

Recommendation

NCRTD should document the budget development, approval and performance monitoring process including key assumptions underlying the budgeted amounts.

This recommendation should be implemented within 120 days from the date of this report.

Discussion

During our review of documents and discussions with the Financial Manager, budgets and interim financial statements are prepared on a cash basis although the fiscal year (FY) 2011 Budget has "accrual" in the title. The FY 2012 Budget has a discrepancy with regard to the total for the State and local portions compared to the total Budget. For FY2013, the Financial Manager will prepare Department budgets for Finance Administration, Operations and Fleet/Building with input from employees responsible for each Department, but the process is basically a "work in progress".

Grantee's Response

The District has completely revamped its budget process for the development of the fiscal year 2012 budget. Staff is in the process of creating a procedure for how the budget is compiled each year. The procedure will be document the basis of the projections and analysis that was conducted.

Section V

Exhibit

Exhibit

Summary Findings

Summary Findings-Material Weakness

Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
Material Weakness	No Ethics/Conflict of Interest Policy Covering Employees	49 CFR. 18.36(b (3) *Procurement Standards.* Circular 4220.1F, Chapter III, Section (1) Written Standards of Conduct	NCRTD should adopt a conflict of interest policy to distribute to employees and obtain acknowledgement that anyone associated with the procurement process has reviewed the policy on a periodic basis.	Within 30 days from receipt of report.
Material Weakness	Incomplete Procurement Records for Major Purchases	49 CFR, 18.20(b) (6) *Source Documentation.* Circular 4220.1F, Chapter III, Section 3d (1) Procuremcnt History.	NCRTD should establish procedures to ensure that all required information is documented and maintained in the procurement file. NCRTD must exercise great care to ensure that procurement files for contracts that are federally funded are complete and available for audit for the required record retention period. If information is removed from completed procurement files, procedures must be in place to document for individual responsible for the document and its location.	Within 60 days from receipt of report.
Material Weakness	Inadequate Control over the ECHO Drawdown Process	49 CFR, 18.20(b) (2) *Accounting Records.* Circular 5010.1D. Chapter VI, Section 2(d) (5). Circular 5010. 1D, Chapter VI, Section 9(c) Policy for ECHO Payments	NCRTD must ensure that adequate segregation of duties exists over the preparation, review and approval, submission, and recording of ECHO drawdown's to reduce the risk of error or unauthorized drawdown's.	Within 60 days from receipt of report.

Summary Findings-Material Weakness

Fin2dings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
Material Weakness	No Documented FFR Preparation and Review Process	49 CFR, 18.20(b) (1) *Financial Reporting.* 49 CFR, 18.20(b) (2) *Accounting Records.* Circular 5010.1D, Chapter III, Section 3(b) Financial Status Report (FSR.) Circular 5010.1D, Chapter VI, Section 2(e) (1) (e).	NCRTD should develop and implement a comprehensive procedure covering preparation, review, and filing of the FFR.	Within 60 days from receipt of report.
Material Weakness	Inadequate Accounts Payable Processing Procedures	49 CFR, 18.20(b) (2) *Accounting Records.* 49 CFR, 18.20(b) (3) *Internal Control.*	NCRTD should develop and implement a voucher checklist which clearly indicates responsibility and completion of applicable review functions.	Within 60 days from receipt of report.

Summary of Findings-Significant Deficiencies

Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
Significant Deficiency	No Documented NTD Preparation and Review Process	49 CFR, 18.20(b) (1) *Financial Reporting*. Circular 5010.1D, Chapter VI, Section 2(e) (1) (e).	NCRTD should develop and implement a comprehensive procedure covering preparation, review, and filing the NTD.	Within 120 days from receipt of report.
Significant Deficiency	Fixed Assets Inventory Procedures not Adequate	49 CFR, 18.20(b) (3) *Internal Control*. Circular 5010.1D, Chapter VI, Section 2(d) (5). Circular 5010.1D, Chapter IV, Section 3(k) (5).	NCRTD should supplement inventory procedures to require that the count be verified by someone other than the custodian taking the count as well as the person responsible for making any necessary adjustments to the general ledger.	Within 60 days from receipt of report.
Significant Deficiency	Preventive Maintenance not Performed Timely	49 CFR, 18.20(b) (3) *Internal Control*. Circular 5010.1D, Chapter IV, Section 3 (m) Maintenance.	NCRTD should enhance scheduling procedures to ensure that planned PM intervals are not missed.	Within 90 days from receipt of report.

Summary Findings- Significant Deficiencies

Findings Reference	Findings	Standard Impacted	Recommendations	Corrective Actions Implementation Date
Significant Deficiency	No Dispute Resolution Policy	Circular 4220.1F, Chapter VII, Section (1) a (1) Protest Procedures.	NCRTD should establish and implement a policy outlining pre-award and post-award protest procedures for resolving disputes related to the procurement process and contract administration.	Within 90 days from receipt of report.
Significant Deficiency	Construction Problems and Change Orders not Reported to the FTA	49 CFR, 18.20(b) (1) *Financial Reporting.* 49 CFR, 18.30 *Project Change Accounting.* Circular 5010.1D, Chapter III, Section (3) (c) Milestone/Progress Reports.	NCRTD should adopt procedures to adequately report the ongoing status of construction projects including potential change orders to the FTA.	Within 30 days from receipt of report.
Significant Deficiency	Cash Account Reconciliation Process not Complete	49 CFR, 18.20(b) (1) *Financial Reporting.* 49 CFR, 18.20(b) (3) *Internal Control.* Circular 5010.1D, Chapter VI. Section 2 (a) Internal Controls.	NCRTD should perform a complete analysis of the entire difference between the general ledger and the balance as reflected on the bank statement.	Within 30 days from receipt of report.

Summary of Findings-Significant Deficiencies

Findings Reference	Findings	Standard Impact	Recommendations	Corrective Actions Implementation Date
Significant Deficiency	Accounting Procedures Are Fragmented	49 CFR 18.20(b) (1) *Financial Reporting.* Circular 5010.1D, Chapter VI, Section 2(e) (1) (h).	NCRTD should identify required accounting controls and consolidate accounting procedures into a manual covering all aspects of recording and reporting financial information. We also recommend these procedures be kept current with documented version control indicating the specific areas that have changed and effective dates of those changes.	Within 120 days from receipt of report.
Significant Deficiency	Record Retention Policies are Incomplete	49 CFR, 18.20(b) (2) *Accounting Records.* Circular 5010.1D, Chapter III, Section 7 (b) Length of Retention Period.	NCRTD should develop and implement formal retention policies that specifically address FTA requirements.	Within 120 days from receipt of report.
Significant Deficiency	Data Fields in Fixed Asset Records are Missing	49 CFR 18.20(b) (3) *Internal Control.* Circular 5010.1D, Chapter IV, Section 3(k) (3). Circular 5010.1D, Chapter IV, Section 3(k) (5).	NCRTD should add the FTA required fields that are missing to its fixed asset record system.	Within 120 days from receipt of report.

Summary of Findings-Significant Deficiencies

Findings Reference	Findings	Standard Impact	Recommendations	Corrective Actions Implementation Date
Significant Deficiency	Vendor Invoices Not Logged Upon Receipt	49 CFR, 18.20(b) (1) *Financial Reporting.* 49 CFR, 18.20(b) (2) *Accounting Records* Circular 5010.1D, Chapter VI, Section 2(d) (5).	Invoices for goods and services that require approval should be logged upon receipt before being routed for appropriate approvals. This would ensure that all expenditures would be included for purposes of proper reporting to FTA on an accrual basis.	Within 120 days from receipt of report.
Significant Deficiency	Ineffective Actual to Budget Variance Analysis	49 CFR, 18.20(b) (4) *Budget Control.*	NCRTD should develop variance analysis criteria sufficient to monitor performance and implement necessary action before line item budgets are exceeded.	Within 120 days from receipt of report.
Significant Deficiency	Single Audit Findings Not Filed Timely	49 CFR, 18.20 (b) (1) *Financial Reporting.* OMB Circular A-133, Section 320 (a).	NCRTD should establish a process to ensure that single audit findings are filed on a timely basis.	Within 30 days from receipt of report.
Significant Deficiency	Insufficient Information Technology Physical and Application Access Security Controls.	49 CFR, 18.20 (b) (3) *Internal Control* 49 CFR, 18.20(b) (2) *Accounting Records.* Circular 5010.1D. Chapter VI, Section 2(d) (5).	NCRTD should relocate the Network Server to a limited access area with appropriate security/protection controls and procedures.	Within 120 days from receipt of report.

Summary of Findings-Advisory Comments

Findings Reference	Findings	Standard Impact	Recommendations	Corrective Actions Implementation Date
Advisory Comment	Budget Policies/Procedures not Formalized with Underlying Assumptions Documented	Not applicable	NCRTD should document the budget development, approval and performance monitoring process including key assumptions underlying the budgeted amounts.	Not applicable

Section VI

Criteria Established By FTA for

Grantee's Financial Management Systems

Criteria Established By FTA for Grantee's Financial Management Systems

The following criteria have been set forth by FTA standards for the financial management systems of FTA grantees. Unless otherwise noted these criteria are drawn from 49 CFR Part 18 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" (Common Rule), Section 18.20 "Standards for Financial Management Systems." Additional guidance for applying many of these criteria is provided in various circulars issued by FTA, U.S. Department of the Treasury, and the Office of Management and Budget (OMB).

18.20(b) (1) ***Financial Reporting***. Grantees must have procedures to provide reasonable assurance that "accurate, current, and complete disclosure of the financial results of financially assisted activities [are] made in accordance with the financial reporting requirements of the grant or subgrant."

18.20(b) (2) ***Accounting Records***. "Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income." The grantee's project financial accounting system must interface with the grantee's overall financial management system.

18.20(b) (3) ***Internal Control***. "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." Specifically with respect to fixed asset records, 49 CFR§18.32(d) requires that grantees and subgrantees must maintain a fixed asset control system providing detailed property records for assets acquired under a grant or subgrant, and including procedures to provide reasonable assurance that safeguards are present to prevent or detect unauthorized acquisition, use, or disposition of the property, and that maintenance procedure are implemented for such assets.

18.20(b) (4) ***Budget Control.*** "Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement"

18.20(b) (5) ***Allowable Cost***. Grantees must have procedures to provide reasonable assurance that the cost principles of OMB Circular A-87, incorporated within 49 CFR §18.22, "agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs." If indirect cost are being charged to the grant, Grantees must prepare a cost allocation plan that is approved by its cognizant agency.

Criteria Established By FTA for Grantee's Financial Management Systems

18.20(b) (6) ***Source Documentation.*** " Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. "

18.20(b) (7) ***Cash Management.*** "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must established reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make [cash] drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

18.30 ***Project Change Accounting.*** The grantee's project financial accounting systems must be able to document and track project changes that result in the need for additional funds, a revision in the scope or objectives of the project, or a need to extend the period of availability of funds or any other changes or budgetary transfers which would require the prior written approval of FTA.

Section VII

Grantee's Response (Full Text)

RTD

June 22, 2012

Mr. Abel Ayala
Federal Transit Administration
819 Taylor Street 8A36
Fort Worth, TX 76102

Dear Mr. Ayala:

Following please find the North Central Regional Transit District responses to the Financial Management Overview Review that was recently performed by your auditors.

Material Weaknesses

1. **No Ethics/Conflict of Interest Policy Covering Employees**

Grantee's Response

The NCRTD is in the process of updating is Personnel Policies and Procurement Rules which will be presented to the Board of Directors in July and August for their approval. These documents will contain an Ethics/Conflict of Interest Policy statement.

Upon adoption of the new Personnel Policies and Procurement Rules all staff will be given copies and they will be required to attest to this conveyance of the policies and the Districts expectations that they will abide by them.

2. **Incomplete Procurement Records for Major Purchases**

Grantee's Response

The NCRTD is in the process of updating is procurement policy and specific direction will be provided to staff on what processes need to be followed. The procurement policies are anticipated to be presented to the Board of Directors in August/September for their approval.

Due to the small size of the NCRTD, the District does not have a procurement staff assigned to these duties. The Executive Director is considering a reorganization that will provided for consolidation of procurement responsibilities.

Daniel Barrone
Chairman

Anthony J. Mortillaro
Executive Director

Governmental
Board of Directors

City of Espanola
City of Santa Fe
County of Rio Arriba
County of Santa Fe
County of Los Alamos
County of Taos
Pueblo of Ohkay Owingeh
Pueblo of Santa Clara
Pueblo of Pojoaque
Pueblo of Tesuque
Pueblo of San Ildefonso

3. **Inadequate Control over the ECHO Drawdown Process**

Grantee's Response

The NCRTD is of the opinion that this item has been addressed. Based upon conversations the Financial Manager had with FTA reviewers, the process has been modified to align with this recommendation. A reconciliation/approval form has been developed. The process involves the Financial Manager compiling all payment packets for the grants that a reimbursement request is being processed for. The Financial Manager will then complete the reconciliation/approval form and attaches all the documentation (payment packs, reports from Accounting Software) to confirm the amount being requested for reimbursement is correct. The Executive Director then reviews and approves the drawdown request.

As for the comment from the Reviewer's regarding immediate disbursement of federal funds within 3 days, it is the NCRTD opinion that this does not pertain to the District. The District operates on a reimbursement basis with the FTA, therefore we are required to expend the funds prior to being eligible for reimbursement from the FTA.

In addition, the NCRTD does not experience frequent reimbursement drawdown requests. The Financial Manager monitors these grants as payment packets are prepared for approval. The drawdown request is then prepared for the incurred expenses. If this process is not in line with FTA requirements a concise and approved process from FTA staff and the contracted Reviewers would be appreciated. Although the Financial Manager had been trained and instructed to perform quarterly reporting, conflicting information has been received that this should only occur on an annual basis for amounts under $1 million. Therefore, clarification is requested as to the applicability of whether quarterly or annual reporting is required when the amount to be reimbursed is below the $1 million threshold.

4. **Inadequate Accounts Payable Processing Procedures**

Grantee's Response

The NCRTD does not use the 3-part PO process and with limited staff it is unlikely that such a process will be implemented. However, the Finance Manager will review the current process and develop procedures to the extent feasible that may satisfy the FTA requirement but not result in additional staffing costs that are unwarranted at this time.

Significant Deficiencies

1. **No Documented NTD Preparation and Review Process**

Grantee's Response

The Financial Manager and the Service Development Manager will be working on procedures for the NTD reporting. Currently the NCRTD does not have anyone staff member assigned to grant assignments, the work is bifurcated and several staff has responsibility for different portions of the process. The procedure will clearly state what staff position handles what part of the reporting and the final step will be the Executive Director who will approve the reports prior to being submitted to the proper entity.

2. **Fixed Assets Inventory Procedures not Adequate**

Grantee's Response

The NCRTD is in the process of implementing a fixed asset module as part of the accounting software. Currently the District utilizes 3 spreadsheets that contain the fixed asset information. The Financial Manager is in the process of consolidating the 3 spreadsheets to make sure the NCRTD has all the proper information on one spreadsheet that will be contained within the fixed asset software module. The NCRTD is also in the process of creating an

inventory/fixed asset policy and procedures. This policy will provide guidance on the required submittals when fixed assets or inventory items are purchased and how to account for transfers between staff and the disposal process.

In respect to the comment indicating that the NCRTD does not have a second person verifying inventory; this process has been changed by the NCRTD. The next inventory count is due by June 30, 2012 and every employee will verify their inventory, and an independent staff person will also verify the inventory. All inventory sheets will be submitted to Finance who will then review the inventory lists as well and the Executive Director will review and sign the "Inventory Certification" form that is required by the state auditors.

3. **Preventive Maintenance not Performed Timely**

Grantee's Response

The NCRTD is not a direct recipient for the vast majority of the federal transit funds it receives. The NCRTD receives the bulk of its funds as a pass through via the State of New Mexico Department of Transportation (NMDOT). Therefore, it is our understanding that the NCRTD falls under the oversight of the NMDOT. As a result NCRTD follows NMDOT guideline for preventative maintenance. These NMDOT guidelines require that the NCRTD follow "the manufacturer's minimum requirements". Based upon this and a review of our records the District's on time record for performance service intervals was 90%. It is our belief that this performance metric places the NCRTD within NMDOT compliance standards.

However, the NCRTD is continually seeking to enhance its performance and upgrade its Standard Operating Procedures and will be undertaking the following corrections:

Revision of Fleet Maintenance Program, Pages 4 & 5, Preventative Maintenance Management: Standard Operating Procedures;

Types of Services identified and "A,B,C,D,E,F,G" Services i.e.

Interval	Associated Service
5,000	"A" Service Engine oil and filter service, tire rotation and multi-point inspection
15,000	"B" Service replace fuel filter/air filter
50,000	"C" Service transmission fluid and filter service
100,000	"D" Service power steering fluid/filter service
120,000	"E" Service diesel particulate filter
150,000	"F" Service anti-freeze/coolant service
200,000	"G" Service rear axle

Revision of Fleet Management Program, Page 17, Preventative Maintenance Management: Standard Operating Procedures;

Item 2, each driver records beginning, ending and total mileage for the route on that day's Vehicle Pre-Trip Inspection form.

Item 4, each day, maintenance staff reviews prior day's ending mileage on Vehicle Pre-Trip Inspection for each vehicle and records it on the fleet inventory service board, and prepares Service Repair Work Orders to schedule services for each vehicle on or before the service due mileage. Work is scheduled in-house or out-sourced as needed to meet the maintenance deadlines and intervals.

There is a future improvement planned to obtain and implement fleet management software that supports the Fleet Maintenance Program.

4. **No Dispute Resolution Policy**

Grantee's Response

The NCRTD is currently working on updating its procurement policies. The dispute resolution will be part of this policy.

5. **Construction Problems and Change Orders not Reported to the FTA**

Grantee's Response

It was unclear to the NCRTD staff that change orders were required to be reported to the FTA since the funding for the change orders was not federally funded. However, now that this has been clarified the change orders incurred to date have been submitted to the NMDOT.

6. **Cash Account Reconciliation Process not Complete**

Grantee's Response

At the time of the FTA Review the NCRTD Financial Manager had just completed 3 state audits in a nine month period. The Financial Manger acknowledges that there were suspense items that had not been researched nor cleared out. At the conclusion of the FTA review the Financial Manager made this a priority. It was discovered that the two previous Financial Managers did not appear to comprehend the process of cash reconciliation and instead of just leaving the amounts as "un-reconciled differences" they posted
these amounts to the "suspense items" in the reconciliation process thereby doubling the un-reconciled difference.

The Financial Manager researched each item and has cleared the items from the "suspense tab" and corrected the entry; the un-reconciled difference is now $1,035.99. The Financial Manager is currently researching these items which appear to be related to entries from the financial software conversion that occurred in 2010. Staff will continue to research and correct this variance.

7. **Accounting Procedures are Fragmented**

Grantee's Response

The NCRTD has never had an accounting manual. The Financial Manager has been working with staff to create desk manuals. These desk manuals will be part of the NCRTD accounting manual. This accounting manual will encompass all aspects of the financial section and will have procedures and forms.

8. **Record Retention Policies are Incomplete**

Grantee's Response

The NCRTD has recently hired a Public Information Officer who has reviewed the Record Retention Policy and has incorporated the FTA requirements. This policy amendment is being presented to the Board of Directors at its July meeting for approval.

9. **Data Fields in Fixed Asset Records are Missing**

Grantee's Response

NCRTD feels this is duplicative of the comment contained within the FTA Reviewers comments pertaining to Fixed Assets Inventory Procedures not being Adequate.

10. Vendor Invoices Not Logged Upon Receipt

Grantee's Response

As stated earlier the NCRTD does not have procurement or receiving staff. Currently the NCRTD is housed in 4 locations. It is virtually impossible to log these invoices since mail is currently sent to all locations.

Once the NCRTD relocates to its new Transit Center, operations will be co-located and as a result mail will come to one location and all mail will be opened and processed by the Executive Assistant. The Executive Assistant will create a log for incoming mail and any invoices will be part of this. Part of the current challenge is that the District utilizes a number of small vendors who tend to physical provide the receipt at the time that service is render. When a vehicle is repaired or necessary items have been purchased at local vendors these receipts get attached to the purchase request and then through interoffice mail sent to Santa Fe for payment.

The Financial Specialist does log all incoming mail received from Espanola so in an indirect way the invoices are logged.

The comment regarding a 3-part PO system contained in this comment was addressed in an earlier response.

11. Ineffective Actual to Budget Variance Analysis

Grantee's Response

The NCRTD performs a budget variance analysis each month. The Financial Manager may not have explained the process in enough detail to the FTA Reviewers. Each month the Financial Manager or Financial Analyst runs a budget report and reviews it for line items that are either overspent or are close to being overspent. When these types of variances are identified the Finance Staff then inquires of the operational division as to the nature of the variance and a plan to address or mitigate for this is developed.

The NCRTD does not budget by month. Monthly expenditures and year to date analysis are prepared and presented to the board each month. The monthly budgeted expenditures are depicted based upon one twelfth of the month being ideally expended, however due to seasonal expenditures and other circumstances, variances below or above the ideal expenditure level are expected.

The budget is a planning tool. The District carefully monitors federal grants differently due to their impact upon our overall budget and the District's accounting software tracks these as appropriate. District policy does not require that expenditures remain strictly within the budgeted line item amount, however the District does employ best practices and for the most part variances within budgeted line items are minimal. In addition, budgeted categories (Administration, Operating and Capital) within the budget are strictly adhered to unless adjusted by the Executive Director. The District does not by practice move budget between line items. By avoiding such a practice it allows the District to ascertain at the end of the year, when planning for the next year's budget what line items need to be researched and adjusted during the next budget cycle.

For Board purposes the budget is presented at a high level. For internal purposes the budget is monitored by grant to ensure the District does not over spend in this category. As finance staff runs its monthly reports the staff prepares modifications (correcting) entries if they find that expenditures were charged incorrectly.

12. Single Audit Findings Not Filed Timely

Grantee's Response

The Financial Manager talked with its Auditors and they had the understanding that the Audit report had to be filed within 60 days of the audit being released by the State Auditor. As a result and if this information had been correct the Audit was timely filed. In the future the Financial Manager will monitor and track this and work with the outside auditors to ensure it is filed as required by the FTA.

13. Insufficient Information Technology Physical and Application Access Security Controls

Grantee's Response

The access and security for the IT server will be addressed when the District relocates to its new Transit Center in late July 2012.

In respect to the comments regarding controls over the accounting software, the Financial Manager is looking into this matter to ascertain how this comment can be addressed. Due to the small staff it is imperative that the finance staff be capable of performing many functions of the various positions. The District has implemented a modification that ensures that that the Financial Manager has access and is the administrator of the Accounting Software. The Executive Director will serve as the Finance Manger's back up and the Financial Specialist and Financial Analyst will not have access any longer. In addition modifications have been made that do not allow the Financial Specialist and Financial Analyst to delete entries. A new form has been developed that requires a description as to why the entry needs to be deleted and the Financial Manager is the only one authorized to delete an entry. In addition a record will be maintained of the deletion performed by the Finance Manager. Currently all 3 members of the finance staff need to have posting capabilities. Since the District utilizes the encumbrance process the financial specialist and financial analyst must be able to post their encumbrances. Only the Financial Manager posts batches to print checks. The District is willing to review this process and review existing duties of each position as we consolidate staff into the new facility to ascertain how financial functions can be modified to better segregate these duties.

Advisory Comments

Comments are not required for this part but the District has chosen to respond.

1. Budget Policies/Procedures not formalized with Underlying Assumptions Documented

Grantee's Response

The District has completely revamped its budget process for the development of the fiscal year 2013 budget. Staff is in the process of creating a procedure for how the budget is compiled each year. The procedure will be document the basis of the projections and analysis that was conducted.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Anthony J. Mortillaro
Executive Director

Cc: Kelly Muniz, Financial Manager, NCRTD
File

MEMORANDUM

Date: September 7, 2012

From: Barb Mascarenas, Executive Assistant

To: Anthony Mortillaro, Executive Director

Re: NCRTD Annual Board Attendance Report, April 2011- April 2012

In accordance with the Bylaws adopted by the NCRTD Board of Directors, attached is the board attendance report for the period noted above. Also attached are those sections of the Bylaws relating to attendance.

Thank you.

NCRTD Board Attendance Report

NCRTD Member	APR 2011	MAY 2011	JUN 2011	JUL 2011	AUG 2011	SEP 2011	OCT 2011	NOV 2011	DEC 2011	JAN 2012	FEB 2012	MAR 2012	APR 2012	Total Present	Total Absent
Los Alamos County	P	P	P	P	P	P	P	P	P	P	P	P	A	12	1
Rio Arriba County	P	P	A	P	P	P	P	P	P	P	P	A	P	11	2
Taos County	A	A	A	P	P	P	P	P	P	P	P	P	P	10	3
Santa Fe County	A	P	P	P	P	P	P	P	P	P	P	P	P	12	1
Pojoaque Pueblo	P	A	P	P	P	A	P	P	P	P	A	P	P	10	3
San Ildefonso Pueblo	A	A	P	P	P	P	P	P	P	A	A	P	A	8	5
Ohkay Owingeh	A	A	A	A	A	A	P	P	P	A	A	A	A	3	10
Santa Clara Pueblo	P	P	A	A	P	P	A	P	P	P	P	P	P	10	3
Tesuque Pueblo	A	A	P	A	A	P	P	P	P	A	A	A	A	5	8
City of Santa Fe	P	P	P	P	P	P	P	P	P	P	P	P	P	13	0
City of Espanola	P	P	A	P	P	P	P	P	P	P	P	P	P	12	1

North Central
Regional Transit District

Board of Directors
Bylaws
Amended
Approved by the NCRTD Board
January 12, 2007

Section 9.07. **Voting Requirements.** Voting shall occur as described in Section IX of the Intergovernmental Contract.

Section 9.08. **Conflict of Interest Policy.** In addition to full compliance with New Mexico statutes pertaining to conflicts of interest regarding public entities, the following shall apply to all Directors:

(a) A Director of the Board shall disqualify him/herself from voting on any issue with which the Director has a potential conflict of interest. For the purpose of the section, a "potential conflicting interest" exists where a Director owns or controls, directly or indirectly, a substantial interest in any non-governmental entity participant in a financial transaction with the District. A Director of the Board, Officer of the Board, or Employee of the Board, shall not:
   (1) Acquire a financial interest in a new or existing business venture or business property of any kind when the Director believes or has reason to believe that the new financial interest will be directly affected by her/his official act;
   (2) Use confidential information acquired by virtue of the Director office or employment for the Director's or another's private gain;
   (3) Contract with the District without public notice and competitive bidding and full disclosure of the Director's financial or other interest in the business that is party to the contract.

(b) Any conflict shall be made a matter of record in the minutes of the meeting of the Board at the time the transaction becomes a topic of Board action;

(c) A Director with a potential conflict of interest may briefly state his position in the matter and answer pertinent questions of other Board Members since the Director's knowledge may be of great assistance;

(d) This policy shall be reviewed from time to time, as new Directors are appointed; moreover, any new Directors shall be advised by the Executive Director of this policy upon entering into the duties of the position;

(e) The Attorney General shall investigate and prosecute, where appropriate, any complaint brought involving conflict of interest. Violation of the conflict of interest provisions by a Director, Officer, or Employee of the Board is grounds for removal or suspension of the Director or Officer, and Dismissal, Demotion, or Suspension of the Employee.

Section 9.09. **Performance of Duties.** The Board shall promulgate and adhere to policies and procedures that govern its conduct. A Director shall perform the duties as a Director, including the duties as a member of any committee of the Board upon which he may serve, in good faith, in a manner he believes to be in the best interests of the District.

Section 9.10. **Review of Performance.** The Secretary of the Board shall review each Director's compliance with these Bylaws and each Director's attendance and report the conclusions and recommendations to the Board at the regular meeting in April of each year.

a) **Consecutive absences.** Any member with three (3) consecutive absences will be considered for withdrawal from the District.

b) **Failure.** Failure to provide local match by July 31st of each year will make that member eligible for withdrawal from the District

c) **Notice.** After 60 days notice has been provided to the member Government Unit with no response the Board may act on the 2/3 majority vote to remove that member pursuant to Sections 73-25-6 and 73-25-17 of the Act.

ARTICLE X
OFFICERS

Section 10.01. **Identification.** The Board shall elect or appoint a Chair, a Vice Chair, a Secretary, and a Treasurer.

Section 10.02. **Officers of the Board.** Officers of the Board shall be Tribal Governors, Tribal Council members or elected officials.

Section 10.03. **Election.** The Board shall elect Officers every other year at the April meeting of the Board. The currently elected Board shall elect Officers by simple majority vote after canvassing each member as to their interest in service, time availability, and qualifications.

Section 10.04 **Election of Chair and Vice Chair.** The election of the Board Chair and Vice Chair may alternate between Tribal and non Tribal members.

Section 10.05. **Term.** Each Officer shall serve a two (2) year term commencing upon election or appointment by the Board. Each Officer shall serve until the end of their term or until a successor is elected or appointed or the Officer is lawfully removed pursuant to State law or these Bylaws. Officers may serve unlimited terms.

Section 10.06. **Removal of Officers.** Any Officer of the Board may be removed at any time by a two-thirds majority vote of the voting units of all members of the Board.

Section 10.07. **Vacancies.** If a vacancy exists in any office, the Chair shall appoint a Director to fill such vacancy until the next regular meeting of the Board, when an election will be held. The term of the Office shall be until the next annual election of officers.

Section 10.08. **Duties of the Officers.**

(a) Chair. The Chair shall:

(1) Have the power to call meetings of the Board and to preside over such meetings;

(2) Have the power to execute, deliver, acknowledge, file and record on behalf of the District such documents as may be required by the Act or other applicable law;

(3) Have the power to execute and deliver contracts, deeds and other instruments and agreements on behalf of the District as are necessary or appropriate in the ordinary course of its activities or as are duly authorized or approved by the Board;

(4) Have such additional authority, powers and duties as are appropriate and customary for the office of the Chair of the Board of Directors of entities such as the District, and as the Board may otherwise prescribe.